CANADIAN PACIFIC RAILWAY COMPANY Second Quarter 2001

FINANCIAL AND STATISTICAL SUMMARY

NETWORK MAP - PRIMARY CORRIDORS

CANADIAN PACIFIC RAILWAY COMPANY

Contents

This report is produced to provide institutional investors, brokers, security analysts and others with summarized financial and statistical data.

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CPR Reports Increased Second Quarter Operating Income of $206 million

Canadian Pacific Railway Company (CPR) announced second quarter operating income of $206 million, up slightly from last year's record quarter. The operating ratio for the quarter was 77.9 per cent, an increase of half a percentage point from the same period last year. Net income declined slightly to $95 million compared to $96 million for the second quarter of 2000.

"The results of this quarter show once again that CPR can perform under challenging economic and operating conditions," said Robert J. Ritchie, President and Chief Executive Officer of CPR. "We improved our operating income, achieving record volumes, fuel efficiency, locomotive utilization and train weights, all at a time of uncertainty in the economy, ongoing high energy prices and difficult operating conditions caused by floods. This is further evidence of our ability to be a cost effective train operation that is delivering quality service to our customers."

Compared to the second quarter of 2000, volumes increased 2 per cent, fuel consumption improved 5 per cent, locomotive utilization was up 6 per cent, and average train weights were up 4 per cent.

Second quarter revenues rose $27 million, or 3 per cent, to $931 million compared to the second quarter of 2000. The coal, sulphur and fertilizers group reported the largest growth this quarter, with revenues rising $28 million, or 14 per cent, as a result of the strong demand for coal on the world markets. Industrial products revenues were up $5 million, or 4 per cent, largely due to the strong market for plastics compared to last year. The intermodal group, the fastest growing segment of CPR's business, reported an increase in revenues of $5 million, or 2 per cent, driven by higher domestic shipments from major retailers. In response to intermodal growth, CPR is investing $36 million this year, to handle increased demand for capacity at the Toronto and Calgary intermodal facilities.

Overall, revenue growth for the quarter more than offset the combined negative impacts of the revenue cap on Canadian grain, which came into effect in August 2000, and the softer economic conditions experienced in the automotive and forest products sectors.

Operating expenses for the quarter increased $26 million, or 4 per cent, to $726 million, largely due to a 2 per cent increase in volumes, flooding in the Midwest U.S. and higher energy costs. The floods caused diversions, which resulted in higher labour, fuel, and equipment rent expenses as well as increased switching and haulage payments.

Year-to-date operating income decreased $33 million, or 9 per cent, to $358 million from the comparable period in 2000, excluding this year's spin-off related and incentive compensation charges, with all of the deterioration occurring in the first quarter. CPR's operating ratio was 80.7 per cent, an increase of 2.2 percentage points over the previous year. Net income decreased by $18 million, or 10 per cent, to $163 million, reflecting the difficult operating conditions in the first half of this year.

Revenues for the first half of the year increased by $33 million, or 2 per cent from last year, a result of strong gains in coal and domestic intermodal revenues. The softer economy had a negative impact on automotive and forest products revenues. The increase in year-to-date operating expenses of 5 per cent was a combined result of the harsh weather in the East and Midwest U.S. and the increase in energy prices.

"By the end of the second quarter, the Company had largely implemented the cost reduction initiatives announced earlier in the year, and we expect to see the full impact of these in the second half of 2001," said Mr. Ritchie.

As announced by Canadian Pacific Limited on June 13, 2001, Canadian Pacific Railway intends to pay a special distribution of approximately $700 million as part of the planned reorganization of Canadian Pacific. It is anticipated that this payment will occur during the third quarter of 2001.

Canadian Pacific Railway is North America's first transcontinental railway, and is the only transcontinental carrier with direct service to the U.S. Eastern Seaboard. CPR's 14,000-mile network serves the principal centres of Canada, from Montreal to Vancouver, as well as the U.S. Midwest and Northeast regions, and links North America with Europe and the Pacific Rim. Alliances with other carriers extend CPR's market reach beyond its own network in the U.S., and into the major business centres of Mexico.

NOTE: This news release contains forward-looking information. Actual future results may differ materially. The risks, uncertainties and other factors that could influence actual results are described in the Company's annual report and annual information form.

JULY 19, 2001

CANADIAN PACIFIC RAILWAY COMPANY
Statement of Consolidated Income
(in millions of dollars)
(unaudited)

	For the Three Months Ended June 30 2001	For the Three Months Ended June 30 2000	For the Six Months Ended June 30 2001	For the Six Months Ended June 30 2000
Revenues				
Freight	876.1	852.6	1,755.4	1,721.7
Other	55.3	51.4	94.3	95.0
Total revenues	931.4	904.0	1,849.7	1,816.7
Operating expenses				
Compensation and benefits	286.8	278.5	583.1	583.3
Fuel	103.7	98.1	217.2	201.2
Materials	45.6	58.4	109.3	114.2
Equipment rents	70.3	71.2	139.3	131.1
Depreciation and amortization	82.3	76.9	164.1	154.1
Purchased services and other	137.1	116.7	279.1	241.9
Total operating expenses	725.8	699.8	1,492.1	1,425.8
Operating income before the following:	205.6	204.2	357.6	390.9
Spin-off related and incentive compensation charges (Note 2)	-	-	15.6	-
Operating income	205.6	204.2	342.0	390.9
Other charges (Note 7)	13.5	10.0	20.6	15.8
Interest expense	46.5	38.1	92.1	77.9
Income tax expense	50.8	60.5	66.1	116.5
Net income	94.8	95.6	163.2	180.7

Statement of Consolidated Retained Income
(in millions of dollars)
(unaudited)

	For the Six Months Ended June 30 2001	For the Six Months Ended June 30 2000
Balance, January 1, as previously reported	1,366.6	959.8
Prior period adjustment	-	55.0
Balance, January 1, as restated	1,366.6	1,014.8
Net income for the period	163.2	180.7
Dividends declared Ordinary Shares	(100.0)	(90.5)
Balance, June 30	1,429.8	1,105.0

CANADIAN PACIFIC RAILWAY COMPANY

Consolidated Balance Sheet

(in millions of dollars)

	JUNE 30 2001 (unaudited)	DECEMBER 31 2000 (audited)
Assets		
Current assets		
Cash and short-term investments	140.4	120.3
Accounts receivable	523.6	495.3
Advances to affiliate	195.9	-
Materials and supplies	125.3	131.0
Future income taxes	82.8	82.8
	1,068.0	829.4
Investments	114.9	105.2
Net properties (Note 3)	7,493.4	7,389.3
Other assets and deferred charges	518.4	484.3
Total assets	9,194.7	8,808.2
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	984.7	1,023.5
Income and other taxes payable	97.2	158.1
Long-term debt maturing within one year	7.5	3.1
	1,089.4	1,184.7
Deferred liabilities	688.9	731.8
Long-term debt	2,717.3	2,276.3
Advances from affiliates	-	50.0
Future income taxes	1,000.5	937.7
Deferred income credits	76.1	64.9
Shareholder's equity		
Ordinary Shares	1,812.5	1,812.5
Issued - 347,169,909 shares		
Contributed surplus	291.1	299.4
Foreign currency translation adjustments	89.1	84.3
Retained income	1,429.8	1,366.6
	3,622.5	3,562.8
Total liabilities and shareholder's equity	9,194.7	8,808.2

CANADIAN PACIFIC RAILWAY COMPANY
Consolidated Statement of Cash Flows
(in millions of dollars)
(unaudited)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2001	2000	2001	2000
Operating activities				
Net income	94.8	95.6	163.2	180.7
Add (deduct) items not affecting cash flow				
Depreciation and amortization	82.3	76.9	164.1	154.1
Future income taxes	54.1	48.5	69.4	83.3
Amortization of deferred charges	8.2	7.1	18.7	13.2
Other	(5.5)	1.4	(5.5)	1.4
Cash flow	233.9	229.5	409.9	432.7
Restructuring payments	(29.8)	(29.2)	(55.2)	(60.7)
Other operating activities, net	(21.9)	(51.8)	(40.6)	(149.7)
Change in non-cash working capital balances related to operations	35.4	51.2	(108.8)	(72.8)
Cash provided by operating activities	217.6	199.7	205.3	149.5
Investing activities				
Additions to properties	(164.5)	(150.4)	(194.5)	(189.8)
Other investments	0.6	0.6	1.8	(0.1)
Net proceeds (costs) from disposal of transportation properties	(8.6)	29.4	(12.1)	36.6
Cash used in investing activities	(172.5)	(120.4)	(204.8)	(153.3)
Financing activities				
Dividends paid	(50.0)	(90.5)	(100.0)	(90.5)
Issuance of long-term debt	375.3	250.0	375.3	250.0
Repayment of long-term debt	(0.2)	(0.2)	(1.5)	(0.4)
Equity contribution to affiliate	-	(2.1)	(8.3)	-
Advances to affiliates	(349.9)	(162.4)	(245.9)	(45.8)
Cash (used in) provided by financing activities	(24.8)	(5.2)	19.6	113.3
Cash position *				
Increase in net cash	20.3	74.1	20.1	109.5
Net cash at beginning of period	120.1	75.4	120.3	40.0
Net cash at end of period	140.4	149.5	140.4	149.5

* Cash and cash equivalents comprise cash and short-term investments.

CANADIAN PACIFIC RAILWAY COMPANY
Notes to Consolidated Financial Results
(unaudited)

1. Basis of presentation

These unaudited interim consolidated financial statements and notes have been prepared using accounting policies that are consistent with the policies used in preparing Canadian Pacific Railway Company's 2000 annual consolidated financial statements and should be read in conjunction with the annual financial statements.

2. Reorganization

On February 12, 2001, the Board of Directors of Canadian Pacific Limited ("CPL") approved a major reorganization that is intended to create five separate publicly traded companies, including Canadian Pacific Railway Company ("CPR"). Under the plan, CPL intends to distribute to its common shareholders its investment in CPR, in order to create a separate public company. The distribution will be implemented under a Plan of Arrangement, contingent upon approval of CPL's shareholders, court approval, a favourable Canadian tax ruling relating to taxation of shareholders on the transaction, and other requisite consents. At June 30, 2001, CPR recorded $15.6 million in spin-off related and incentive compensation charges.

3. Net properties

During the six months ended June 30, 2001, capital assets were acquired at an aggregate cost of $250.5 million (2000 - $174.9 million) of which $64.2 million were acquired by means of capital leases. Cash payments related to capital purchases were $194.5 million during 2001 (2000 - $189.8 million), which in 2001 and 2000 included payments for capital purchases included in accounts payable prior to 1998. Under the old CICA recommendation for statement of changes in financial position, it was appropriate to include non-cash capital purchases in additions to property; thus, included in additions to property in 1998 and 1997 were non-cash capital purchases of $71.7 million and $221.1 million, respectively. Cash payments for these purchases were made during 1999, 2000 and 2001. At June 30, 2001, $NIL remained in accounts payable related to the above purchases.

4. Restructuring charges and environmental remediation

At June 30, 2001, the provision for restructuring and environmental remediation was $619.6 million ($676.9 million at December 31, 2000). This provision primarily includes labour liabilities for restructuring plans that are in many cases substantially implemented. The majority of the provision consists of expected residual payments to protected employees and the cost of a multi-year soil remediation program.

During the second quarter, the Company announced an additional restructuring initiative to reduce costs by eliminating 500 positions. The reductions are occurring mostly in administrative areas, but also affect most operating areas, particularly fleet maintenance. The new initiative required an increase to the provision of $59.5 million. This change was offset by a net reduction of $65.0 million of previously accrued initiatives. The reductions resulted from a decrease in the number of surplus crews due to increases in traffic volumes, modifications to branchline rationalization plans resulting from changes in the regulatory environment, and reduced rationalization costs stemming from rule modifications in the latest collective agreements.

CANADIAN PACIFIC RAILWAY COMPANY

Notes to Consolidated Financial Results

(unaudited)

5. Reclassification

Certain prior year's figures have been reclassified to conform with the presentation adopted for 2001.

6. Consolidated financial ratios

The following ratios are provided in connection with CPR's continuous offering of medium-term notes, and are based on the consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in Canada. The asset coverage ratios are calculated as at the dates indicated, and the interest coverage ratios are for the 12-month period then ended.

	June 30 2001	December 31 2000
Interest coverage on long-term debt (times)		
Income before unusual items	4.3	4.7
Income after unusual items	4.2	4.7
Net tangible asset coverage on long-term debt (times)		
Before the effect of future income taxes	2.7	2.9
After the effect of future income taxes	2.3	2.5

7. Other Charges

(in millions of dollars)	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2001	2000	2001	2000
Amortization of discount on accruals	6.2	6.6	12.3	13.2
Amortization of foreign exchange losses (gains) on long-term debt	2.0	0.4	6.4	(0.1)
Other foreign exchange losses (gains)	1.5	2.1	(4.6)	1.2
Charges on sale of accounts receivable	1.4	1.8	3.2	3.5
Other	2.4	(0.9)	3.3	(2.0)
	13.5	10.0	20.6	15.8

CANADIAN PACIFIC RAILWAY COMPANY
Other Issues

Financial Updates

Operating activities
Cash provided by operating activities for the six months ended June 30, 2001 was up $55 million from the same period in fiscal 2000, to $205 million, largely due to certain rolling stock which had been acquired during the first six months of fiscal 2000 and was being held for sale pending a sale-lease back agreement with a third party.

As at June 30, 2001, employee reductions related to all prior restructuring initiatives, including the 1999 initiatives, were substantially complete, although ongoing employment security payments related to these reductions will continue into future years.

During the second quarter of 2001, CPR announced an additional restructuring initiative to reduce costs by eliminating 500 positions. The reductions are occurring mostly in administrative areas, but also affect most operating areas.

Investing activities
Cash used in investing activities for the six month period ended June 30, 2001 of $204.8 million, increased $51.5 million compared to the same period in 2000 as there were no significant proceeds from disposal of transportation properties in 2001.

At June 30, 2001, CPR had committed to future capital expenditures amounting to $201.5 million.

Financing activities
Cash provided by financing activities during the six months ended June 30, 2001 was $19.6 million, down $93.7 million from the same period in 2000 as CPR advanced funds to CPL.

The company has available, as sources of financing, credit facilities of up to $1.4 billion as well as $450 million from a shelf prospectus.

Balance sheet
At June 30, 2001, CPR's assets totaled $9,194.7 million, an increase of $387 million from $8,808 million at December 31, 2000. The change was primarily attributable to an increase in net properties from net capital additions and advances to affiliated companies during the period.

Forward foreign currency exchange contracts
At June 30, 2001, CPR had entered into foreign exchange contracts to sell approximately US$285.0 million at exchange rates ranging from 1.30 to 1.45 over the years 2001 to 2002, with an unrealized loss of CDN$20.4 million.

Commodity contracts
At June 30, 2001, the company had entered into crude oil futures contracts to hedge 45% of its fuel requirements for the second half of 2001 at an average price of US$26.11 per barrel.

Labour Issues

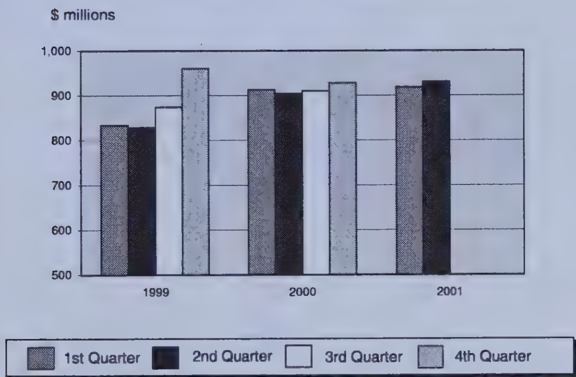
CPR currently has settlements in place with 77 per cent of its unionized workforce in North America. In Canada, CPR has agreements in place with six of its seven labour organizations. Of the six, three extend to the end of 2002, two extend to the end of 2003 and one extends to the end of 2004. On CPR's Soo Line subsidiary, all 16 bargaining units are up for re-negotiation. On the Delaware and Hudson subsidiary, agreements are in place with 12 of the 14 bargaining units.

Financial

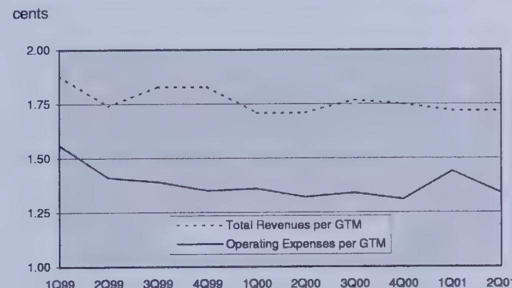
	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	% CHG 01/00
Statement of Consolidated Income ($millions)													
Revenues													
Freight													
Quarterly	797.0	797.7	829.9	899.0	869.1	852.6	856.2	882.2	879.3	876.1			2.8
Cumulative	797.0	1,594.7	2,424.6	3,323.6	869.1	1,721.7	2,577.9	3,460.1	879.3	1,755.4			2.0
Other (*)													
Quarterly	36.6	30.8	44.1	61.3	43.6	51.4	54.2	45.8	39.0	55.3			7.6
Cumulative	36.6	67.4	111.5	172.8	43.6	95.0	149.2	195.0	39.0	94.3			(0.7)
Total revenues (*)													
Quarterly	833.6	828.5	874.0	960.3	912.7	904.0	910.4	928.0	918.3	931.4			3.0
Cumulative	833.6	1,662.1	2,536.1	3,496.4	912.7	1,816.7	2,727.1	3,655.1	918.3	1,849.7			1.8
Operating Expenses													
Compensation and benefits (*)													
Quarterly	311.7	295.5	269.1	296.9	304.8	278.5	275.4	289.1	296.3	286.8			3.0
Cumulative	311.7	607.2	876.3	1,173.2	304.8	583.3	858.7	1,147.8	296.3	583.1			(0.0)
Fuel													
Quarterly	65.1	63.3	67.5	83.3	103.1	98.1	98.5	110.0	113.5	103.7			5.7
Cumulative	65.1	128.4	195.9	279.2	103.1	201.2	299.7	409.7	113.5	217.2			8.0
Materials													
Quarterly	61.2	49.3	49.1	39.8	55.8	58.4	50.3	48.8	63.7	45.6			(21.9)
Cumulative	61.2	110.5	159.6	199.4	55.8	114.2	164.5	213.3	63.7	109.3			(4.3)
Equipment rents													
Quarterly	71.6	60.0	69.4	68.7	59.9	71.2	69.2	66.4	69.0	70.3			(1.3)
Cumulative	71.6	131.6	201.0	269.7	59.9	131.1	200.3	266.7	69.0	139.3			6.3
Depreciation and amortization													
Quarterly	76.9	76.7	75.2	63.7	77.2	76.9	78.2	72.4	81.8	82.3			7.0
Cumulative	76.9	153.6	228.8	292.5	77.2	154.1	232.3	304.7	81.8	164.1			6.5
Purchased services and other (*)													
Quarterly	106.5	126.0	133.6	154.0	125.2	116.7	117.1	108.7	142.0	137.1			17.5
Cumulative	106.5	232.5	366.1	520.1	125.2	241.9	359.0	467.7	142.0	279.1			15.4
Total operating expenses (*)													
Quarterly	693.0	670.8	663.9	706.4	726.0	699.8	688.7	695.4	766.3	725.8			3.7
Cumulative	693.0	1,363.8	2,027.7	2,734.1	726.0	1,425.8	2,114.5	2,809.9	766.3	1,492.1			4.7

(*) Excluding unusual items and/or spin-off related costs (see full description on page 24).

Total Revenues
(excluding unusual items)



Revenue and Expense Trends by Quarter
(excluding unusual items and/or spin-off related costs)

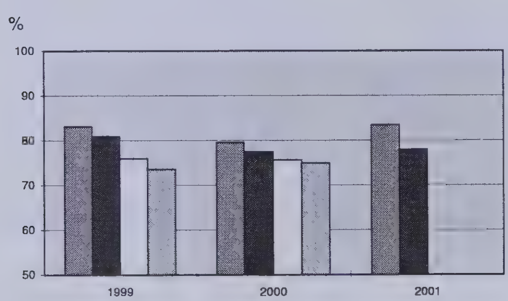


Financial

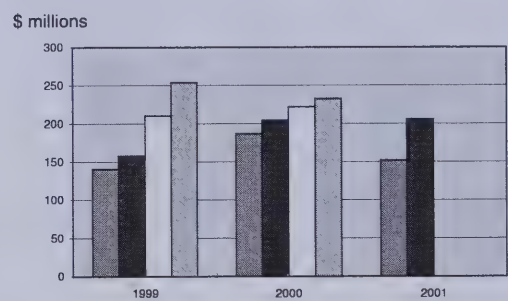
	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	% CHG 01/00
Statement of Consolidated Income ($millions)													
Operating income (*)													
Quarterly	140.6	157.7	210.1	253.9	186.7	204.2	221.7	232.6	152.0	205.6			0.7
Cumulative	140.6	298.3	508.4	762.3	186.7	390.9	612.6	845.2	152.0	357.6			(8.5)
Unusual items/spin-off related and incentive compensation charges													
Quarterly	0.0	(500.6)	0.0	0.0	0.0	0.0	0.0	0.0	(15.6)	0.0			-
Cumulative	0.0	(500.6)	(500.6)	(500.6)	0.0	0.0	0.0	0.0	(15.6)	(15.6)			-
Other charges (income)													
Quarterly	20.3	7.9	3.8	(5.8)	5.8	10.0	14.0	(6.7)	7.1	13.5			35.0
Cumulative	20.3	28.2	32.0	26.2	5.8	15.8	29.8	23.1	7.1	20.6			30.4
Interest expense													
Quarterly	34.1	34.2	31.6	36.7	39.8	38.1	43.6	45.5	45.6	46.5			22.0
Cumulative	34.1	68.3	99.9	136.6	39.8	77.9	121.5	167.0	45.6	92.1			18.2
Income tax expense (recovery)													
Quarterly	24.9	(157.7)	62.7	102.1	56.0	60.5	68.3	(62.0)	15.3	50.8			(16.0)
Cumulative	24.9	(132.8)	(70.1)	32.0	56.0	116.5	184.8	122.8	15.3	66.1			(43.3)
Net income (loss)													
Quarterly	61.3	(227.3)	112.0	120.9	85.1	95.6	95.8	255.8	68.4	94.8			(0.8)
Cumulative	61.3	(166.0)	(54.0)	66.9	85.1	180.7	276.5	532.3	68.4	163.2			(9.7)
Financial Highlights (**)													
Operating ratio (percentage) (*)													
Quarterly	83.1	81.0	76.0	73.6	79.5	77.4	75.6	74.9	83.4	77.9			-
Cumulative	83.1	82.1	80.0	78.2	79.5	78.5	77.5	76.9	83.4	80.7			-
ROCE (percentage) (*)													
12-month rolling	13.9	13.8	13.8	14.5	14.8	15.9	15.6	14.9	13.8	13.6			-
Debt / Equity ratio (percentage)													
Quarterly	38.2	40.6	40.2	40.5	40.5	40.5	40.2	38.3	39.8	39.7			-
EBIT ($ millions) (*)													
Quarterly	120.3	149.8	206.3	259.7	180.9	194.2	207.7	239.3	144.9	192.1			(1.1)
Cumulative	120.3	270.1	476.4	736.1	180.9	375.1	582.8	822.1	144.9	337.0			(10.2)
EBITDA ($ millions) (*)													
Quarterly	197.2	226.5	281.5	323.4	258.1	271.1	285.9	311.7	226.7	274.4			1.2
Cumulative	197.2	423.7	705.2	1,028.6	258.1	529.2	815.1	1,126.8	226.7	501.1			(5.3)

(*) Excluding unusual items and/or spin-off related costs (see full description on page 24).
(**) See definitions on page 24.

Operating Ratio
(excluding unusual items and spin-off related costs)



Operating Income
(excluding unusual items and spin-off related costs)



1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter

Freight Traffic

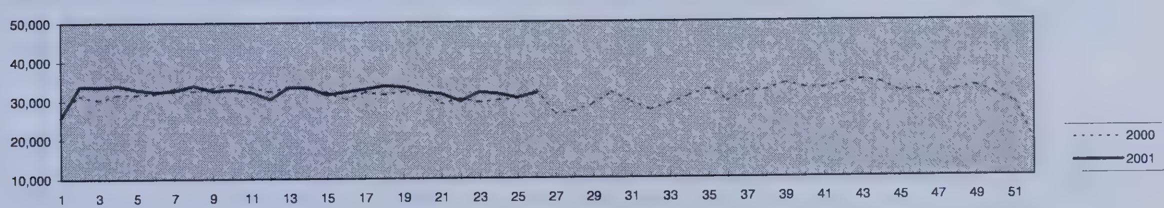
	1999				2000				2001				% CHG
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	01/00
Revenue ton-miles (RTM) (millions)													
Quarterly	23,255	24,927	25,297	26,955	28,569	27,484	26,815	27,541	28,417	28,315			3.0
Cumulative	23,255	48,182	73,479	100,434	28,569	56,053	82,868	110,409	28,417	56,732			1.2
Gross ton-miles (GTM) (millions)													
Quarterly	44,437	47,560	47,855	52,354	53,435	52,982	51,363	52,939	53,282	54,104			2.1
Cumulative	44,437	91,997	139,852	192,206	53,435	106,417	157,780	210,719	53,282	107,386			0.9
Carloads originated (thousands) (*)													
Quarterly	461.0	495.8	496.8	523.6	519.9	512.3	505.3	514.5	515.9	514.3			0.4
Cumulative	461.0	956.8	1,453.6	1,977.2	519.9	1,032.2	1,537.5	2,052.0	515.9	1,030.2			(0.2)
Carloads received (thousands) (*)													
Quarterly	91.2	89.6	80.9	91.3	88.1	89.0	82.0	83.5	94.9	98.5			10.7
Cumulative	91.2	180.8	261.7	353.0	88.1	177.1	259.1	342.6	94.9	193.4			9.2
Revenue tons carried (thousands)													
Quarterly	33,567	35,342	35,319	37,186	37,380	36,310	35,976	36,646	38,256	37,980			4.6
Cumulative	33,567	68,909	104,228	141,414	37,380	73,690	109,666	146,312	38,256	76,236			3.5

Revenue and Expense Trends

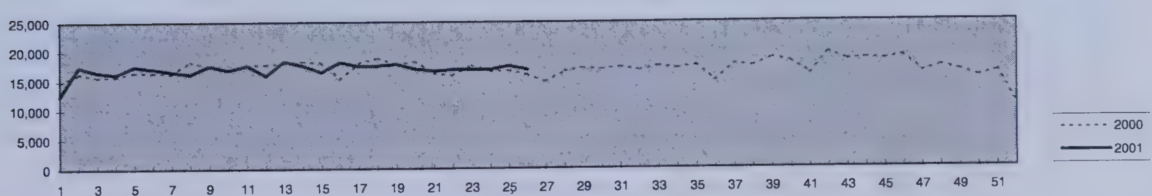
Freight revenue per RTM (cents)													
Quarterly	3.43	3.20	3.28	3.34	3.04	3.10	3.19	3.20	3.09	3.09			(0.3)
Cumulative	3.43	3.31	3.30	3.31	3.04	3.07	3.11	3.13	3.09	3.09			0.7
Operating expenses per RTM (cents) (**)													
Quarterly	2.98	2.69	2.62	2.62	2.54	2.55	2.57	2.52	2.70	2.56			0.4
Cumulative	2.98	2.83	2.76	2.72	2.54	2.54	2.55	2.54	2.70	2.63			3.5
Total revenues per GTM (cents) (**)													
Quarterly	1.88	1.74	1.83	1.83	1.71	1.71	1.77	1.75	1.72	1.72			0.6
Cumulative	1.88	1.81	1.81	1.82	1.71	1.71	1.73	1.73	1.72	1.72			0.6
Operating expenses per GTM (cents) (**)													
Quarterly	1.56	1.41	1.39	1.35	1.36	1.32	1.34	1.31	1.44	1.34			1.5
Cumulative	1.56	1.48	1.45	1.42	1.36	1.34	1.34	1.33	1.44	1.39			3.7

(*) Carloads include intermodal units.
(**) Excluding unusual items and/or spin-off related costs (see full description on page 24).

Carloads by Week
Excluding Intermodal Units
Originated and Received



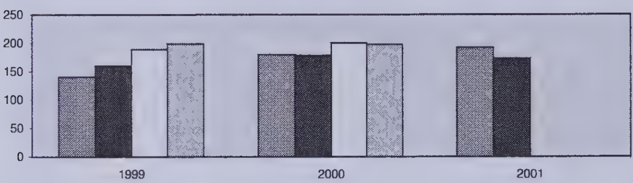
Intermodal Units by Week
Originated and Received



Grain

	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4
Revenues ($millions)												
Quarterly	140.5	159.9	188.7	198.4	179.5	178.3	199.8	197.6	192.0	172.5		
Cumulative	140.5	300.4	489.1	687.5	179.5	357.8	557.6	755.2	192.0	364.5		
Revenue Ton-Miles (RTM) (millions)												
Quarterly	4,386	5,366	5,945	6,218	6,384	5,972	6,489	6,484	6,730	5,769		
Cumulative	4,386	9,752	15,697	21,915	6,384	12,356	18,845	25,329	6,730	12,499		
Revenues per RTM (cents)												
Quarterly	3.20	2.98	3.17	3.19	2.81	2.99	3.08	3.05	2.85	2.99		
Cumulative	3.20	3.08	3.12	3.14	2.81	2.90	2.96	2.98	2.85	2.92		
Carloads (thousands)												
Quarterly	63.4	75.0	86.5	91.1	83.5	81.9	92.8	93.1	90.3	79.0		
Cumulative	63.4	138.4	224.9	316.0	83.5	165.4	258.2	351.3	90.3	169.3		
Revenues per Carload ($)												
Quarterly	2,216	2,132	2,182	2,178	2,150	2,177	2,153	2,122	2,126	2,184		
Cumulative	2,216	2,171	2,175	2,176	2,150	2,163	2,160	2,150	2,126	2,153		

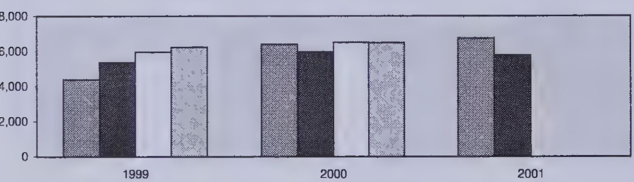
Revenues ($millions)



Revenues

% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	7.0	(3.3)		
Cumulative	7.0	1.9		
2000/1999				
Quarterly	27.8	11.5	5.9	(0.4)
Cumulative	27.8	19.1	14.0	9.8

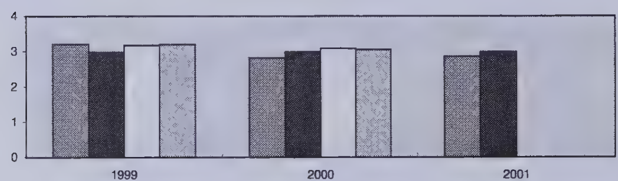
Revenue Ton-Miles (RTM)



Revenue Ton-Miles (RTM)

% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	5.4	(3.4)		
Cumulative	5.4	1.2		
2000/1999				
Quarterly	45.6	11.3	9.2	4.3
Cumulative	45.6	26.7	20.1	15.6

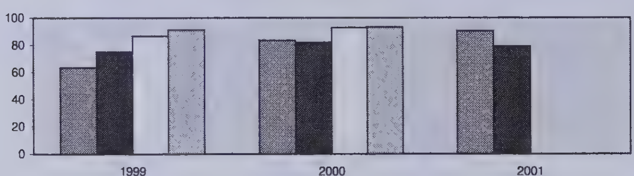
Revenues per RTM (cents)



Revenues per RTM

% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	1.4	0.0		
Cumulative	1.4	0.7		
2000/1999				
Quarterly	(12.2)	0.3	(2.8)	(4.4)
Cumulative	(12.2)	(5.8)	(5.1)	(5.1)

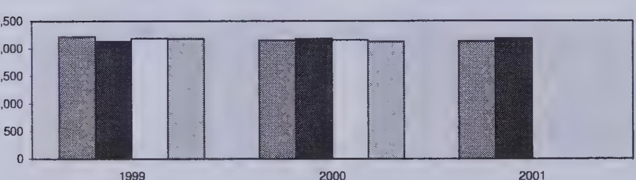
Carloads (thousands)



Carloads

% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	8.1	(3.5)		
Cumulative	8.1	2.4		
2000/1999				
Quarterly	31.7	9.2	7.3	2.2
Cumulative	31.7	19.5	14.8	11.2

Revenues per Carload ($)



Revenues per Carload

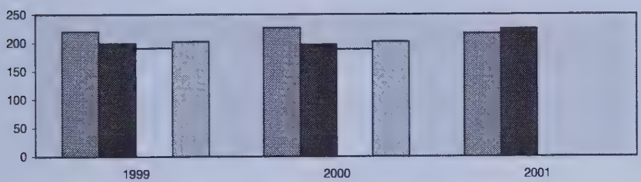
% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	(1.1)	0.3		
Cumulative	(1.1)	(0.5)		
2000/1999				
Quarterly	(3.0)	2.1	(1.3)	(2.6)
Cumulative	(3.0)	(0.4)	(0.7)	(1.2)

1st Quarter   2nd Quarter   3rd Quarter   4th Quarter

Coal, Sulphur & Fertilizers

	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues ($millions)												
Quarterly	219.9	198.8	190.5	202.0	226.1	196.9	188.7	201.9	216.3	224.5		
Cumulative	219.9	418.7	609.2	811.2	226.1	423.0	611.7	813.6	216.3	440.8		
Revenue Ton-Miles (RTM) (millions)												
Quarterly	8,422	8,712	7,987	8,534	10,022	9,184	8,502	9,156	10,087	10,661		
Cumulative	8,422	17,134	25,121	33,655	10,022	19,206	27,708	36,864	10,087	20,748		
Revenues per RTM (cents)												
Quarterly	2.61	2.28	2.39	2.37	2.26	2.14	2.22	2.21	2.14	2.11		
Cumulative	2.61	2.44	2.43	2.41	2.26	2.20	2.21	2.21	2.14	2.12		
Carloads (thousands)												
Quarterly	129.4	130.3	125.3	128.8	133.5	123.3	117.7	124.6	139.5	146.1		
Cumulative	129.4	259.7	385.0	513.8	133.5	256.8	374.5	499.1	139.5	285.6		
Revenues per Carload ($)												
Quarterly	1,699	1,526	1,520	1,568	1,694	1,597	1,603	1,620	1,551	1,537		
Cumulative	1,699	1,612	1,582	1,579	1,694	1,647	1,633	1,630	1,551	1,543		

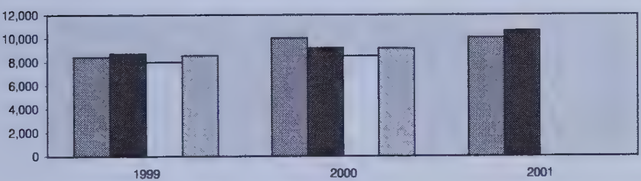
Revenues ($millions)



Revenues

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	(4.3)	14.0		
Cumulative	(4.3)	4.2		
2000/1999				
Quarterly	2.8	(1.0)	(0.9)	(0.0)
Cumulative	2.8	1.0	0.4	0.3

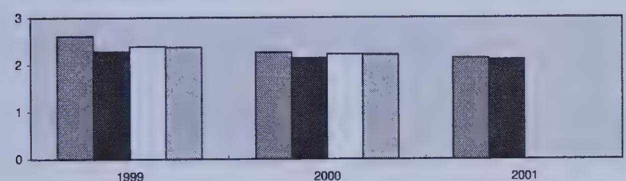
Revenue Ton-Miles (RTM)



Revenue Ton-Miles (RTM)

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	0.6	16.1		
Cumulative	0.6	8.0		
2000/1999				
Quarterly	19.0	5.4	6.4	7.3
Cumulative	19.0	12.1	10.3	9.5

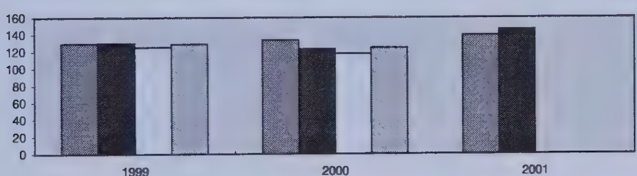
Revenues per RTM (cents)



Revenues per RTM

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	(5.3)	(1.4)		
Cumulative	(5.3)	(3.6)		
2000/1999				
Quarterly	(13.4)	(6.1)	(7.1)	(6.8)
Cumulative	(13.4)	(9.8)	(9.1)	(8.3)

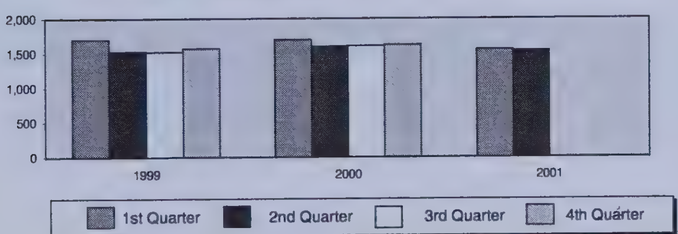
Carloads (thousands)



Carloads

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	4.5	18.5		
Cumulative	4.5	11.2		
2000/1999				
Quarterly	3.2	(5.4)	(6.1)	(3.3)
Cumulative	3.2	(1.1)	(2.7)	(2.9)

Revenues per Carload ($)



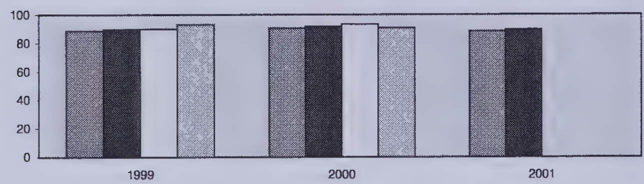
Revenues per Carload

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	(8.4)	(3.8)		
Cumulative	(8.4)	(6.3)		
2000/1999				
Quarterly	(0.3)	4.7	5.5	3.3
Cumulative	(0.3)	2.2	3.2	3.2

Forest Products

	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues ($millions)												
Quarterly	88.7	89.6	89.8	93.1	90.4	91.7	93.2	90.6	88.3	89.5		
Cumulative	88.7	178.3	268.1	361.2	90.4	182.1	275.3	365.9	88.3	177.8		
Revenue Ton-Miles (RTM) (millions)												
Quarterly	2,552	2,721	2,727	2,775	2,913	2,995	2,853	2,741	2,695	2,757		
Cumulative	2,552	5,273	8,000	10,775	2,913	5,908	8,761	11,502	2,695	5,452		
Revenues per RTM (cents)												
Quarterly	3.48	3.29	3.29	3.35	3.10	3.06	3.27	3.31	3.28	3.25		
Cumulative	3.48	3.38	3.35	3.35	3.10	3.08	3.14	3.18	3.28	3.26		
Carloads (thousands)												
Quarterly	44.5	44.9	44.5	43.2	47.1	46.0	44.1	42.1	43.7	43.6		
Cumulative	44.5	89.4	133.9	177.1	47.1	93.1	137.2	179.3	43.7	87.3		
Revenues per Carload ($)												
Quarterly	1,993	1,996	2,018	2,155	1,919	1,993	2,113	2,152	2,021	2,053		
Cumulative	1,993	1,994	2,002	2,040	1,919	1,956	2,007	2,041	2,021	2,037		

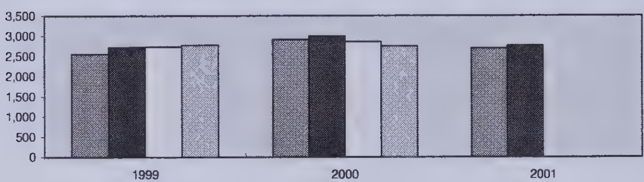
Revenues ($millions)



Revenues

	% change			
2001/2000	**Q1**	**Q2**	**Q3**	**Q4**
Quarterly	(2.3)	(2.4)		
Cumulative	(2.3)	(2.4)		
2000/1999				
Quarterly	1.9	2.3	3.8	(2.7)
Cumulative	1.9	2.1	2.7	1.3

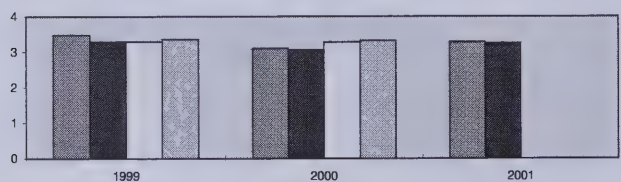
Revenue Ton-Miles (RTM)



Revenue Ton-Miles (RTM)

	% change			
2001/2000	**Q1**	**Q2**	**Q3**	**Q4**
Quarterly	(7.5)	(7.9)		
Cumulative	(7.5)	(7.7)		
2000/1999				
Quarterly	14.1	10.1	4.6	(1.2)
Cumulative	14.1	12.0	9.5	6.7

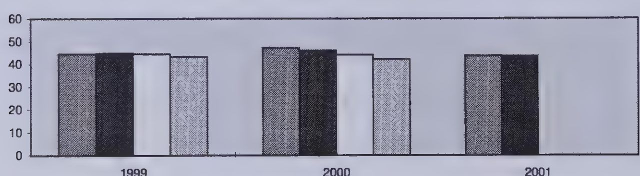
Revenues per RTM (cents)



Revenues per RTM

	% change			
2001/2000	**Q1**	**Q2**	**Q3**	**Q4**
Quarterly	5.8	6.2		
Cumulative	5.8	5.8		
2000/1999				
Quarterly	(10.9)	(7.0)	(0.6)	(1.2)
Cumulative	(10.9)	(8.9)	(6.3)	(5.1)

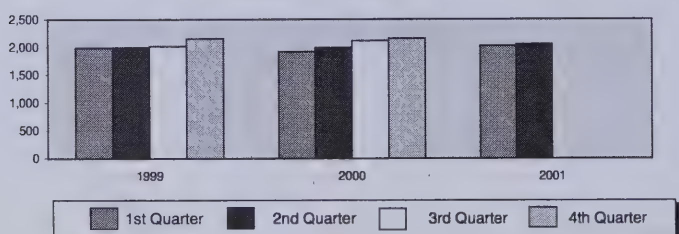
Carloads (thousands)



Carloads

	% change			
2001/2000	**Q1**	**Q2**	**Q3**	**Q4**
Quarterly	(7.2)	(5.2)		
Cumulative	(7.2)	(6.2)		
2000/1999				
Quarterly	5.8	2.4	(0.9)	(2.5)
Cumulative	5.8	4.1	2.5	1.2

Revenues per Carload ($)



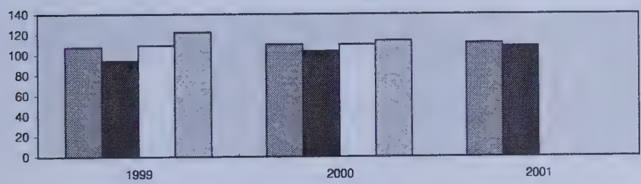
Revenues per Carload

	% change			
2001/2000	**Q1**	**Q2**	**Q3**	**Q4**
Quarterly	5.3	3.0		
Cumulative	5.3	4.1		
2000/1999				
Quarterly	(3.7)	(0.2)	4.7	(0.1)
Cumulative	(3.7)	(1.9)	0.2	0.0

Industrial Products

	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues ($millions)												
Quarterly	107.4	94.2	109.2	122.2	110.3	103.7	110.1	114.0	111.7	108.3		
Cumulative	107.4	201.6	310.8	433.0	110.3	214.0	324.1	438.1	111.7	220.0		
Revenue Ton-Miles (RTM) (millions)												
Quarterly	3,044	2,813	3,171	3,471	3,494	3,241	3,250	3,364	3,367	3,341		
Cumulative	3,044	5,857	9,028	12,499	3,494	6,735	9,985	13,349	3,367	6,708		
Revenues per RTM (cents)												
Quarterly	3.53	3.35	3.44	3.52	3.16	3.20	3.39	3.39	3.32	3.24		
Cumulative	3.53	3.44	3.44	3.46	3.16	3.18	3.25	3.28	3.32	3.28		
Carloads (thousands)												
Quarterly	75.6	73.1	67.5	76.6	76.4	71.4	69.0	69.4	72.5	70.3		
Cumulative	75.6	148.7	216.2	292.8	76.4	147.8	216.8	286.2	72.5	142.8		
Revenues per Carload ($)												
Quarterly	1,421	1,289	1,618	1,595	1,444	1,452	1,596	1,643	1,541	1,541		
Cumulative	1,421	1,356	1,438	1,479	1,444	1,448	1,495	1,531	1,541	1,541		

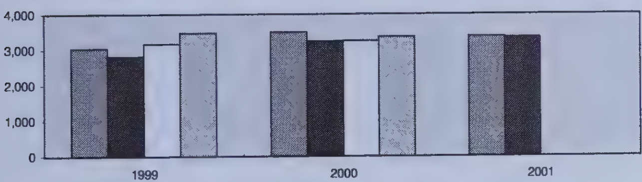
Revenues ($millions)



Revenues

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	1.3	4.4		
Cumulative	1.3	2.8		
2000/1999				
Quarterly	2.7	10.1	0.8	(6.7)
Cumulative	2.7	6.2	4.3	1.2

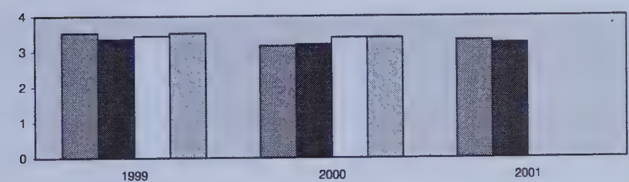
Revenue Ton-Miles (RTM)



Revenue Ton-Miles (RTM)

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	(3.6)	3.1		
Cumulative	(3.6)	(0.4)		
2000/1999				
Quarterly	14.8	15.2	2.5	(3.1)
Cumulative	14.8	15.0	10.6	6.8

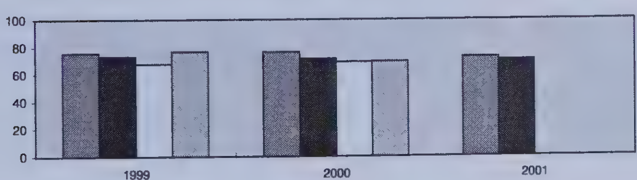
Revenues per RTM (cents)



Revenues per RTM

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	5.1	1.3		
Cumulative	5.1	3.1		
2000/1999				
Quarterly	(10.5)	(4.5)	(1.5)	(3.7)
Cumulative	(10.5)	(7.6)	(5.5)	(5.2)

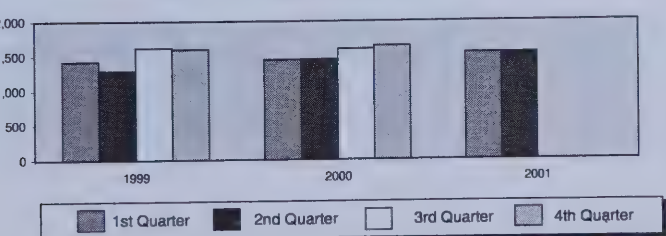
Carloads (thousands)



Carloads

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	(5.1)	(1.5)		
Cumulative	(5.1)	(3.4)		
2000/1999				
Quarterly	1.1	(2.3)	2.2	(9.4)
Cumulative	1.1	(0.6)	0.3	(2.3)

Revenues per Carload ($)



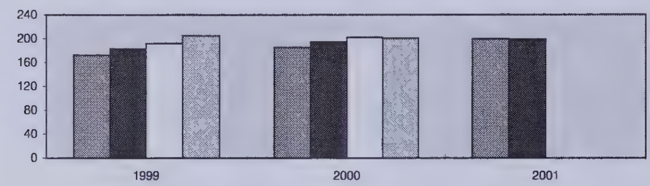
Revenues per Carload

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	6.7	6.1		
Cumulative	6.7	6.4		
2000/1999				
Quarterly	1.6	12.6	(1.4)	3.0
Cumulative	1.6	6.8	4.0	3.5

Intermodal

	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues ($millions)												
Quarterly	172.5	182.7	192.0	204.6	185.3	194.3	202.0	200.3	199.6	198.9		
Cumulative	172.5	355.2	547.2	751.8	185.3	379.6	581.6	781.9	199.6	398.5		
Revenue Ton-Miles (RTM) (millions)												
Quarterly	4,262	4,641	4,953	5,270	5,084	5,360	5,187	5,147	4,943	5,101		
Cumulative	4,262	8,903	13,856	19,126	5,084	10,444	15,631	20,778	4,943	10,044		
Revenues per RTM (cents)												
Quarterly	4.05	3.94	3.88	3.88	3.64	3.63	3.89	3.89	4.04	3.90		
Cumulative	4.05	3.99	3.95	3.93	3.64	3.63	3.72	3.76	4.04	3.97		
Carloads (thousands)												
Quarterly	198.7	217.6	218.3	232.8	222.1	228.0	227.3	226.5	224.7	229.5		
Cumulative	198.7	416.3	634.6	867.4	222.1	450.1	677.4	903.9	224.7	454.2		
Revenues per Carload ($)												
Quarterly	868	840	880	879	834	852	889	884	888	867		
Cumulative	868	853	862	867	834	843	859	865	888	877		

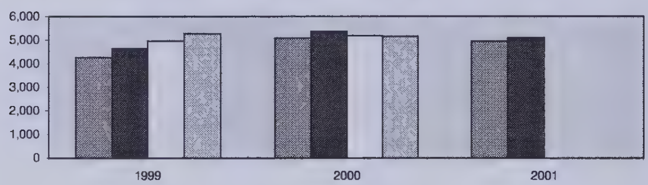
Revenues ($millions)



Revenues

% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	7.7	2.4		
Cumulative	7.7	5.0		
2000/1999				
Quarterly	7.4	6.3	5.2	(2.1)
Cumulative	7.4	6.9	6.3	4.0

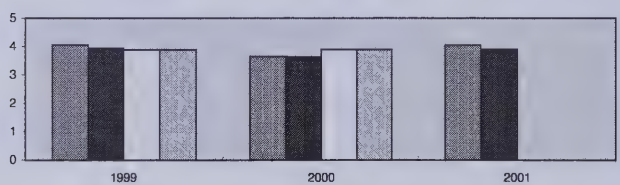
Revenue Ton-Miles (RTM)



Revenue Ton-Miles (RTM)

% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	(2.8)	(4.8)		
Cumulative	(2.8)	(3.8)		
2000/1999				
Quarterly	19.3	15.5	4.7	(2.3)
Cumulative	19.3	17.3	12.8	8.6

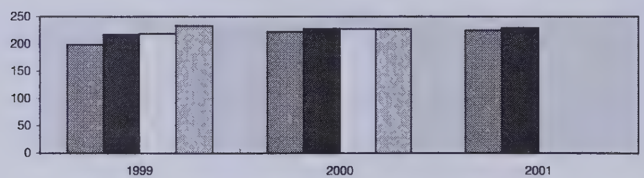
Revenues per RTM (cents)



Revenues per RTM

% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	11.0	7.4		
Cumulative	11.0	9.4		
2000/1999				
Quarterly	(10.1)	(7.9)	0.3	0.3
Cumulative	(10.1)	(9.0)	(5.8)	(4.3)

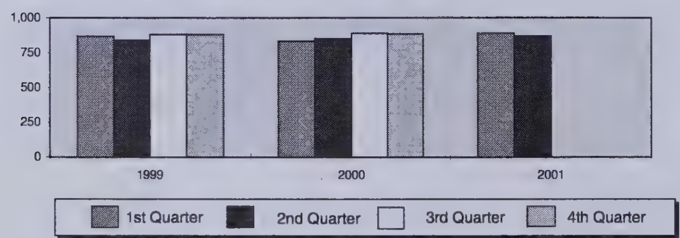
Carloads (thousands)



Carloads

% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	1.2	0.7		
Cumulative	1.2	0.9		
2000/1999				
Quarterly	11.8	4.8	4.1	(2.7)
Cumulative	11.8	8.1	6.7	4.2

Revenues per Carload ($)



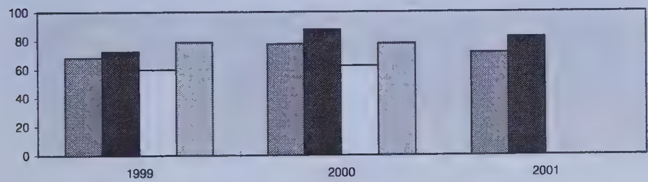
Revenues per Carload

% change	Q1	Q2	Q3	Q4
2001/2000				
Quarterly	6.5	1.8		
Cumulative	6.5	4.0		
2000/1999				
Quarterly	(3.9)	1.4	1.0	0.6
Cumulative	(3.9)	(1.2)	(0.3)	(0.2)

Automotive

	1999				2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues ($millions)												
Quarterly	68.0	72.5	59.7	78.7	77.5	87.7	62.4	77.8	71.4	82.4		
Cumulative	68.0	140.5	200.2	278.9	77.5	165.2	227.6	305.4	71.4	153.8		
Revenue Ton-Miles (RTM) (millions)												
Quarterly	589	674	514	687	672	732	534	649	595	686		
Cumulative	589	1,263	1,777	2,464	672	1,404	1,938	2,587	595	1,281		
Revenues per RTM (cents)												
Quarterly	11.54	10.76	11.61	11.46	11.53	11.98	11.69	11.99	12.00	12.01		
Cumulative	11.54	11.12	11.27	11.32	11.53	11.77	11.74	11.81	12.00	12.01		
Carloads (thousands)												
Quarterly	40.6	44.5	35.6	42.4	45.4	50.7	36.4	42.3	40.1	44.3		
Cumulative	40.6	85.1	120.7	163.1	45.4	96.1	132.5	174.8	40.1	84.4		
Revenues per Carload ($)												
Quarterly	1,675	1,629	1,677	1,856	1,707	1,730	1,714	1,839	1,781	1,860		
Cumulative	1,675	1,651	1,659	1,710	1,707	1,719	1,718	1,747	1,781	1,822		

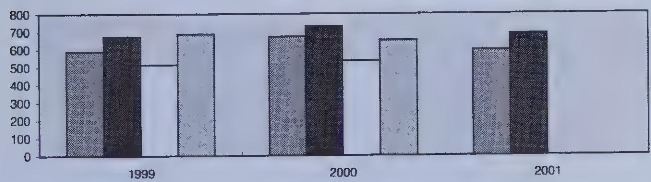
Revenues ($millions)



Revenues

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	(7.9)	(6.0)		
Cumulative	(7.9)	(6.9)		
2000/1999				
Quarterly	14.0	21.0	4.5	(1.1)
Cumulative	14.0	17.6	13.7	9.5

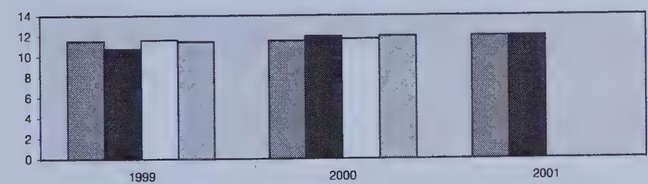
Revenue Ton-Miles (RTM)



Revenue Ton-Miles (RTM)

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	(11.5)	(6.3)		
Cumulative	(11.5)	(8.8)		
2000/1999				
Quarterly	14.1	8.6	3.9	(5.5)
Cumulative	14.1	11.2	9.1	5.0

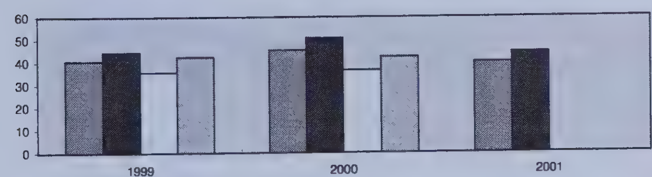
Revenues per RTM (cents)



Revenues per RTM

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	4.1	0.3		
Cumulative	4.1	2.0		
2000/1999				
Quarterly	(0.1)	11.3	0.7	4.6
Cumulative	(0.1)	5.8	4.2	4.3

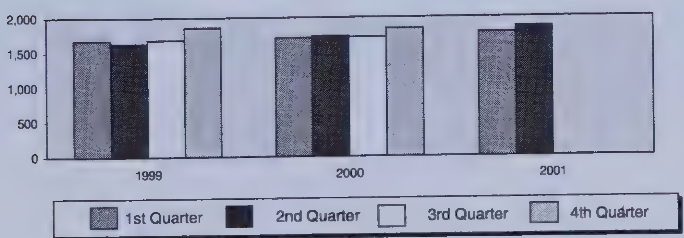
Carloads (thousands)



Carloads

	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	(11.7)	(12.6)		
Cumulative	(11.7)	(12.2)		
2000/1999				
Quarterly	11.8	13.9	2.2	(0.2)
Cumulative	11.8	12.9	9.8	7.2

Revenues per Carload ($)



Revenues per Carload

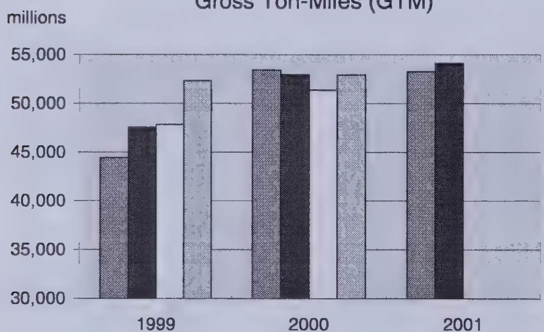
	% change			
2001/2000	Q1	Q2	Q3	Q4
Quarterly	4.3	7.5		
Cumulative	4.3	6.0		
2000/1999				
Quarterly	1.9	6.2	2.2	(0.9)
Cumulative	1.9	4.1	3.6	2.2

Operations and Productivity

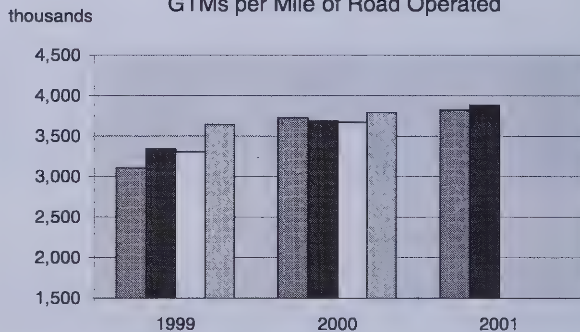
	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4	% CHG 01/00
Gross ton-miles (GTM) (millions)													
Quarterly	44,437	47,560	47,855	52,354	53,435	52,982	51,363	52,939	53,282	54,104			2.1
Cumulative	44,437	91,997	139,852	192,206	53,435	106,417	157,780	210,719	53,282	107,386			0.9
Miles of road operated at end of period													
Quarterly	14,302	14,230	14,474	14,358	14,343	14,356	13,991	13,959	13,938	13,938			(2.9)
Cumulative	14,302	14,230	14,474	14,358	14,343	14,356	13,991	13,959	13,938	13,938			(2.9)
GTMs per mile of road operated (thousands)													
Quarterly	3,107	3,342	3,306	3,646	3,726	3,691	3,671	3,792	3,823	3,882			5.2
Cumulative	3,107	6,465	9,662	13,387	3,726	7,413	11,277	15,096	3,823	7,705			3.9
Number of active employees at end of period													
Quarterly	18,850	19,711	19,446	18,150	17,842	18,319	18,095	17,519	16,959	17,421 *			(4.9)
Cumulative	18,850	19,711	19,446	18,150	17,842	18,319	18,095	17,519	16,959	17,421 *			(4.9)
GTMs per average active employee (thousands)													
Quarterly	2,354	2,434	2,427	2,828	3,019	2,922	2,804	2,990	3,145	3,097			6.0
Cumulative	2,354	4,789	7,217	10,031	3,019	5,940	8,741	11,729	3,145	6,242			5.1
Average train speed (miles per hour)													
Quarterly	28.2	28.4	27.0	26.7	26.9	26.9	27.3	26.2	26.6	25.9			(3.7)
Cumulative	28.2	28.3	27.9	27.5	26.9	26.9	27.0	26.8	26.6	26.1			(3.0)
Average train weights (tons)													
Quarterly	4,766	4,945	5,255	5,439	5,365	5,390	5,410	5,375	5,448	5,590			3.7
Cumulative	4,766	4,855	4,989	5,102	5,365	5,378	5,390	5,386	5,448	5,519			2.6
Average train length (feet)													
Quarterly	3,637	3,778	3,896	3,998	3,954	4,084	4,029	4,005	3,985	4,070			(0.3)
Cumulative	3,637	3,708	3,770	3,827	3,954	4,019	4,022	4,018	3,985	4,028			0.2

* Includes the impact of transferring approximately 600 employees to ALSTOM.

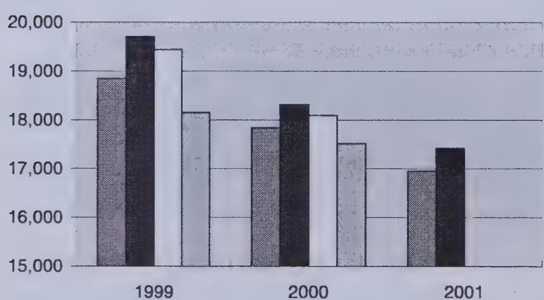
Gross Ton-Miles (GTM)



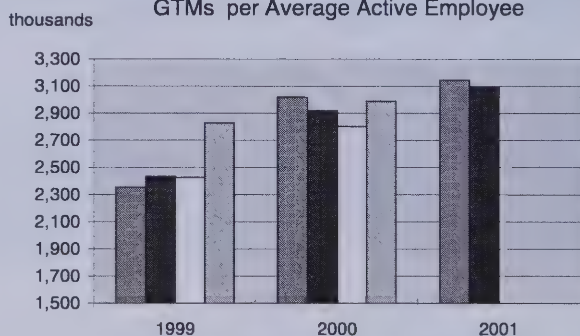
GTMs per Mile of Road Operated



Number of Active Employees at End of Period



GTMs per Average Active Employee



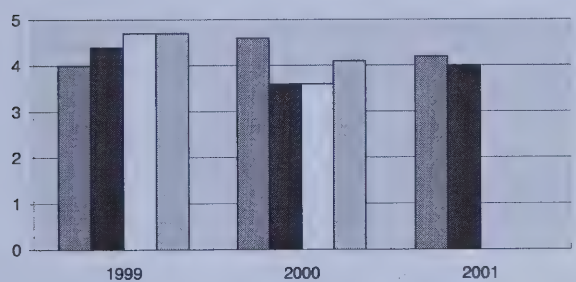
1st Quarter 2nd Quarter 3rd Quarter 4th Quarter

Operations and Productivity

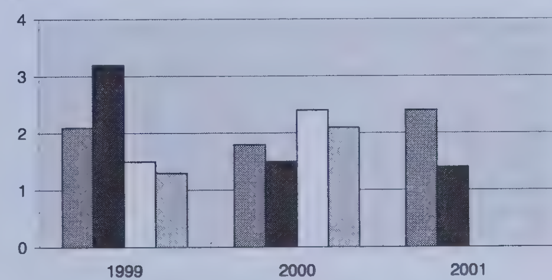
	1999				2000				2001				% CHG
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	01/00
FRA personal injuries per 200,000 employee hours													
Quarterly	4.0	4.4	4.7	4.7	4.6	3.6	3.6	4.1	4.2 (*)	4.0			11.1
Cumulative	4.0	4.2	4.4	4.4	4.6	4.0	3.9	3.9	4.2 (*)	4.1			2.5
FRA train accidents per million train miles													
Quarterly	2.1	3.2	1.5	1.3	1.8	1.5	2.4	2.1	2.4 (*)	1.4			(6.7)
Cumulative	2.1	2.6	2.3	2.1	1.8	1.6	1.9	2.0	2.4 (*)	1.9			18.8
Diesel fuel consumed - freight & yard (million U.S. gallons)													
Quarterly	68	66	63	69	72	69	65	68	70	67			(2.9)
Cumulative	68	134	197	266	72	141	206	274	70	137			(2.8)
Diesel fuel consumed - freight & yard (million litres)													
Quarterly	257	250	238	261	273	261	246	257	263	254			(2.7)
Cumulative	257	507	745	1,006	273	534	780	1,037	263	517			(3.2)
U.S. gallons of fuel per 1,000 GTMs													
Quarterly	1.53	1.37	1.32	1.30	1.35	1.30	1.24	1.30	1.30	1.24			(4.6)
Cumulative	1.53	1.45	1.40	1.38	1.35	1.32	1.29	1.30	1.30	1.27			(3.8)
Price per litre of fuel including taxes (Canadian dollars)													
Quarterly	0.25	0.26	0.28	0.32	0.38	0.37	0.41	0.42	0.43	0.40			8.1
Cumulative	0.25	0.25	0.26	0.28	0.38	0.38	0.39	0.40	0.43	0.42			10.5
Price per U.S. gallon of fuel excl provincial fuel taxes (U.S. dollars)													
Quarterly	0.52	0.54	0.60	0.71	0.87	0.85	0.94	0.95	0.98	0.88			3.5
Cumulative	0.52	0.53	0.55	0.59	0.87	0.86	0.88	0.90	0.98	0.93			8.1
GTMs per available horsepower per day													
Quarterly	152	171	179	193	195	198	206	202	200	210			6.1
Cumulative	152	162	167	174	195	196	199	200	200	205			4.6
GTMs per active locomotive per day (thousands)													
Quarterly	506	559	590	634	639	630	660	655	658	689			9.4
Cumulative	506	532	552	572	639	634	643	646	658	674			6.3

(*) Restated

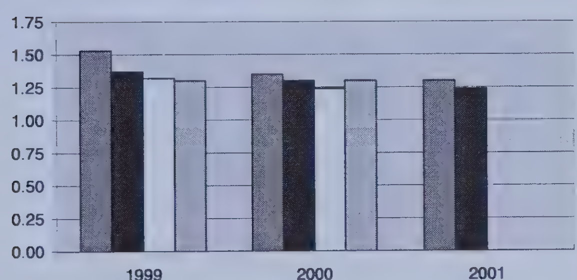
FRA Personal Injuries per 200,000 Employee Hours



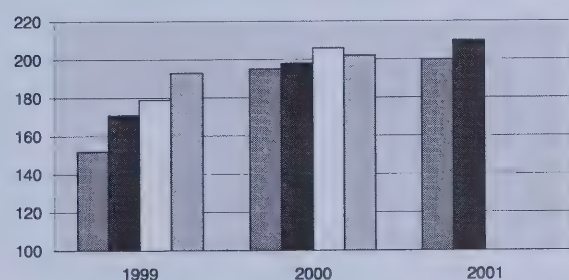
FRA Train Accidents per Million Train Miles

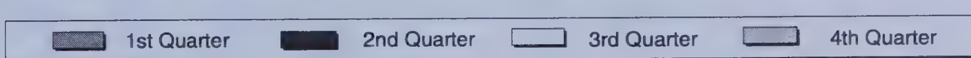


U.S. Gallons of Fuel per 1,000 GTMs



GTMs per Available Horsepower per Day



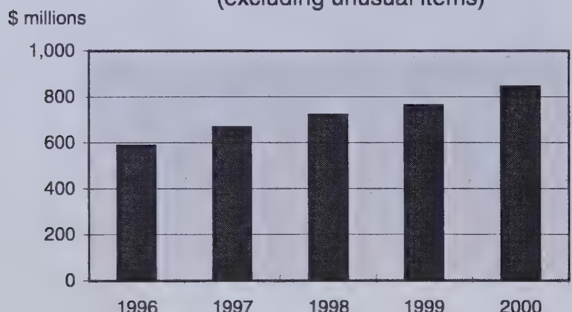


Five-Year Comparative Summary

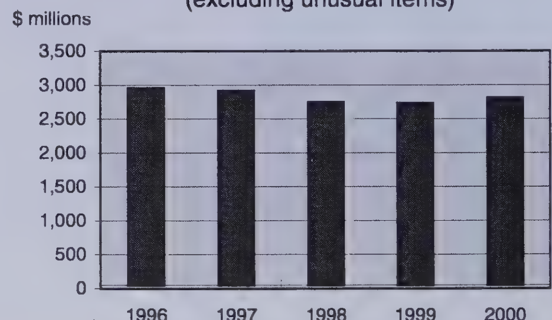
FINANCIAL ($ millions)	1996	1997	1998	1999	2000	% Change 00/99	Avg % 96 - 00
RAILWAY							
Revenues							
Freight	3,379.3	3,428.7	3,315.2	3,323.6	3,460.1	4.1	0.6
Other (*)	163.4	153.8	156.9	172.8	195.0	12.8	4.5
Total revenues (*)	3,542.7	3,582.5	3,472.1	3,496.4	3,655.1	4.5	0.8
Operating expenses							
Compensation and benefits	1,298.5	1,212.5	1,150.8	1,173.2	1,147.8	(2.2)	(3.0)
Fuel	324.4	343.2	281.6	279.2	409.7	46.7	6.0
Materials	255.4	230.6	234.6	199.4	213.3	7.0	(4.4)
Equipment rents	296.1	286.7	258.3	269.7	266.7	(1.1)	(2.6)
Depreciation and amortization	226.2	249.1	279.0	292.5	304.7	4.2	7.7
Purchased services and other (*)	554.2	592.6	547.1	520.1	467.7	(10.1)	(4.2)
Total operating expenses (*)	2,954.8	2,914.7	2,751.4	2,734.1	2,809.9	2.8	(1.2)
Operating income before unusual items	587.9	667.8	720.7	762.3	845.2	10.9	9.5
Unusual items	16.7	134.3	15.3	(500.6)	-	(100.0)	(100.0)
Operating income	604.6	802.1	736.0	261.7	845.2	223.0	8.7
Other (income) charges	(44.6)	44.2	18.4	26.2	23.1	(11.8)	-
Interest expense	112.9	119.8	118.5	136.6	167.0	22.3	10.3
Income tax expense	90.0	171.6	236.7	32.0	122.8	283.8	8.1
Net income - Railway	446.3	466.5	362.4	66.9	532.3	695.7	4.5
NON-RAIL							
Other (income) charges	(3.0)	0.6	-	-	-	-	-
Interest income	(59.3)	(23.8)	-	-	-	-	-
Income tax expense	20.5	20.8	-	-	-	-	-
Net income - Non-rail	41.8	2.4	-	-	-	-	-
Net income - CPR	488.1	468.9	362.4	66.9	532.3	695.7	2.2

(*) Excluding unusual items (see full description on page 24).

Operating Income (excluding unusual items)



Operating Expenses (excluding unusual items)

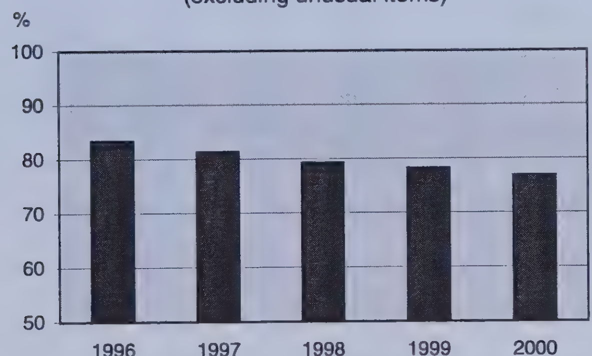


Five-Year Comparative Summary

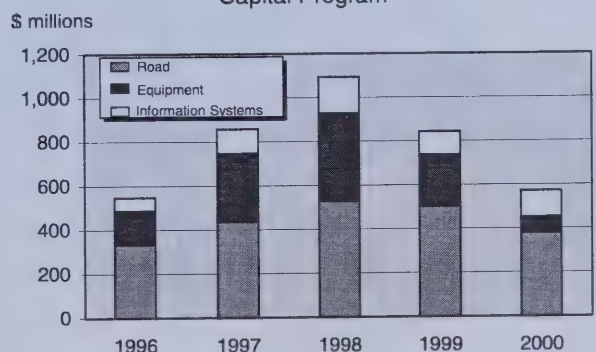
	1996	1997	1998	1999	2000	% Change 00/99	Avg % 96 - 00
FINANCIAL HIGHLIGHTS (*)							
Operating ratio (percentage) (**)	83.4	81.4	79.2	78.2	76.9	-	-
ROCE (percentage) (**)	14.8	15.2	15.6	14.5	14.9	-	-
Debt / Equity ratio (percentage) (***)	41.7	30.5	34.1	40.5	38.3	-	-
EBIT ($ millions) (**),(***)	542.5	623.6	702.3	736.1	822.1	11.7	11.0
EBITDA ($ millions) (**),(***)	768.7	872.7	981.3	1,028.6	1,126.8	9.5	10.0
CAPITAL PROGRAM ($ millions)							
Road	333.6	436.3	527.8	501.6	378.6	(24.5)	3.2
Equipment	152.9	311.4	400.4	236.7	74.0	(68.7)	(16.6)
Information Systems	59.8	110.3	166.1	104.7	118.6	13.3	18.7
Total capital program	546.3	858.0	1,094.3	843.0	571.2	(32.2)	1.1
Total assets ($ millions)	7,821.9	7,344.2	7,889.4	8,369.2	8,808.2	5.2	3.0
TRACK INSTALLATIONS							
Cross ties installed (thousands)	835	970	1,103	1,071	978	(8.7)	4.0
Track miles of rail laid	393	352	386	342	303	(11.4)	(6.3)
EQUIPMENT INVENTORY							
Number of freight cars (owned and long-term leases)	54,000	53,000	51,900	47,900	45,400	(5.2)	(4.2)
Locomotive Fleet (freight and switching)							
Number of locomotives (owned and long-term leases)	1,615	1,619	1,641	1,587	1,565	(1.4)	(0.8)
Number of locomotives (short-term leases)	210	184	81	5	3	(40.0)	(65.4)
Total locomotive fleet	1,825	1,803	1,722	1,592	1,568	(1.5)	(3.7)
FREIGHT TRAFFIC							
Revenue ton-miles (RTM) (millions)	98,740	100,488	96,094	100,434	110,409	9.9	2.8
Freight revenue per RTM (cents)	3.42	3.41	3.45	3.31	3.13	(5.4)	(2.2)

(*) See definitions on page 24.
(**) Excluding unusual items (see full description on page 24).
(***) Excluding non-rail and the $90.4 million net gain in 1996 due to $120.4 million gain on partial redemption of 4% Consolidated Debenture Stock offset by a $30.0 million adjustment to the amortization of discount on restructuring accruals for a reduction in the discount rate.

Operating Ratio (excluding unusual items)



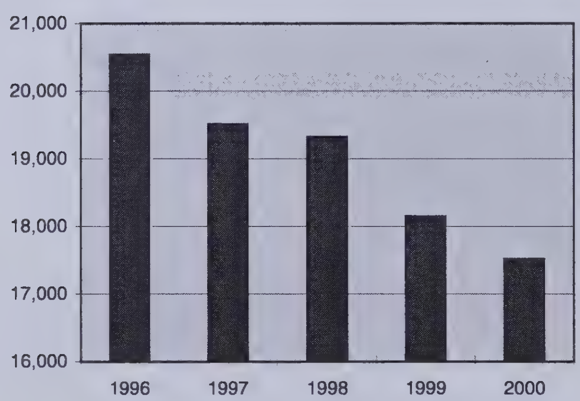
Capital Program



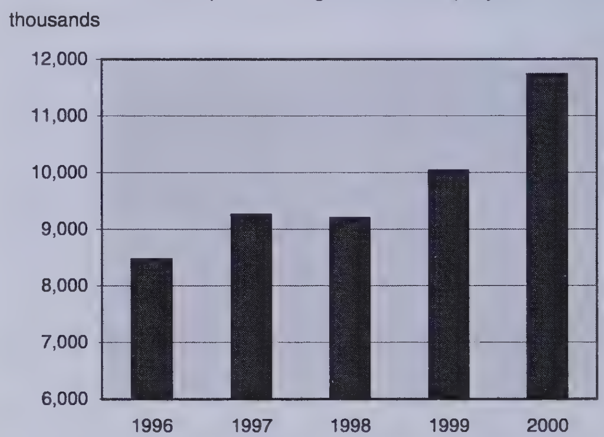
Five-Year Comparative Summary

OPERATIONS AND PRODUCTIVITY	1996	1997	1998	1999	2000	% Change 00/99	Avg % 96 - 00
Gross ton-miles (GTM) (millions)	184,047	186,464	182,579	192,206	210,719	9.6	3.4
Revenue tons carried (thousands)	149,245	148,982	142,338	141,414	146,312	3.5	(0.5)
Miles of road operated at end of year - excluding haulage miles	17,399	15,097	14,456	14,358	13,959	(2.8)	(5.4)
GTMs per mile of road operated (thousands) - excluding haulage miles	10,578	12,351	12,630	13,387	15,096	12.8	9.3
FRA personal injuries per 200,000 employee hours	7.2	5.8	4.5	4.4	3.9	(11.4)	(14.2)
FRA train accidents per million train miles	5.3	3.4	2.2	2.1	2.0	(4.8)	(21.6)
Number of active employees at end of year	20,540	19,514	19,323	18,150	17,519	(3.5)	(3.9)
GTMs per average active employee (thousands)	8,470	9,254	9,196	10,031	11,729	16.9	8.5
U.S. gallons of fuel per 1,000 GTMs	1.57	1.56	1.50	1.38	1.30	(5.8)	(4.6)
Average train weights (tons)	4,901	5,059	4,867	5,102	5,386	5.6	2.4
GTMs per available horsepower per day	166	157	153	174	200	14.9	4.8
GTMs per active locomotive per day (thousands)	485	471	494	572	646	12.9	7.4

Number of Active Employees at End of Year



GTMs per Average Active Employee



Five-Year Comparative Summary

	1996	1997	1998	1999	2000	% Change 00/99	Avg % 96 - 00
Freight Revenues ($ millions)							
Grain	725.5	826.4	740.6	687.5	755.2	9.8	1.0
Coal, Sulphur and Fertilizers	880.7	966.6	901.9	811.2	813.6	0.3	(2.0)
Forest Products	316.8	309.6	324.7	361.2	365.9	1.3	3.7
Industrial Products	421.1	430.0	430.4	433.0	438.1	1.2	1.0
Intermodal	608.2	615.9	679.3	751.8	781.9	4.0	6.5
Automotive	209.7	228.5	238.3	278.9	305.4	9.5	9.9
KCCL (*)	217.3	51.7	-	-	-	-	-
Total Freight Revenues	3,379.3	3,428.7	3,315.2	3,323.6	3,460.1	4.1	0.6
Revenue Ton-Miles (millions)							
Grain	23,722	26,044	22,599	21,915	25,329	15.6	1.7
Coal, Sulphur and Fertilizers	32,255	35,592	34,287	33,655	36,864	9.5	3.4
Forest Products	9,327	8,958	9,103	10,775	11,502	6.7	5.4
Industrial Products	11,745	11,863	11,737	12,499	13,349	6.8	3.3
Intermodal	14,547	14,966	16,288	19,126	20,778	8.6	9.3
Automotive	1,617	1,863	2,080	2,464	2,587	5.0	12.5
KCCL (*)	5,527	1,202	-	-	-	-	-
Total Revenue Ton-Miles	98,740	100,488	96,094	100,434	110,409	9.9	2.8
Revenue per RTM (cents)							
Grain	3.06	3.17	3.28	3.14	2.98	(5.1)	(0.7)
Coal, Sulphur and Fertilizers	2.73	2.72	2.63	2.41	2.21	(8.3)	(5.1)
Forest Products	3.40	3.46	3.57	3.35	3.18	(5.1)	(1.7)
Industrial Products	3.59	3.62	3.67	3.46	3.28	(5.2)	(2.2)
Intermodal	4.18	4.12	4.17	3.93	3.76	(4.3)	(2.6)
Automotive	12.97	12.27	11.46	11.32	11.81	4.3	(2.3)
KCCL (*)	3.93	4.30	-	-	-	-	-
Total Revenue per RTM	3.42	3.41	3.45	3.31	3.13	(5.4)	(2.2)
Carloads (thousands)							
Grain	374.3	364.1	332.2	316.0	351.3	11.2	(1.6)
Coal, Sulphur and Fertilizers	553.1	586.9	547.0	513.8	499.1	(2.9)	(2.5)
Forest Products	179.0	165.9	163.1	177.1	179.3	1.2	0.0
Industrial Products	319.5	302.7	295.6	292.8	286.2	(2.3)	(2.7)
Intermodal	711.9	717.3	767.8	867.4	903.9	4.2	6.2
Automotive	147.0	145.8	139.3	163.1	174.8	7.2	4.4
Total Carloads	2,284.8	2,282.7	2,245.0	2,330.2	2,394.6	2.8	1.2
Revenue per Carload ($)							
Grain	1,938	2,270	2,229	2,176	2,150	(1.2)	2.6
Coal, Sulphur and Fertilizers	1,592	1,647	1,649	1,579	1,630	3.2	0.6
Forest Products	1,770	1,866	1,991	2,040	2,041	0.0	3.6
Industrial Products	1,318	1,421	1,456	1,479	1,531	3.5	3.8
Intermodal	854	859	885	867	865	(0.2)	0.3
Automotive	1,427	1,567	1,711	1,710	1,747	2.2	5.2
Total Revenue per Carload	1,479	1,502	1,477	1,426	1,445	1.3	(0.6)

(*) Kansas City and Corn Lines (KCCL) were sold April 4, 1997.

Notes

GENERAL

- The data contained in this report should be read in conjunction with the audited consolidated financial statements contained in the Canadian Pacific Railway Company 2000 Annual Report and the Annual Information Form dated March 12, 2001.
- Certain data for prior periods have been restated to a comparable basis with the information presented for the current period, in some cases on an estimated basis.
- Kansas City and Corn Lines (KCCL) were sold on April 4, 1997. Unless otherwise noted, results for prior periods include KCCL.

UNUSUAL ITEMS AND SPIN-OFF RELATED COSTS

- In the first quarter of 2001, Canadian Pacific Railway Company ("the company") reported $15.6 million in spin-off related and incentive compensation charges. These charges largely relate to payouts likely to be earned under long-term incentive plans, which vary with the market value of Canadian Pacific Limited's common shares.
- During the second quarter of 1999, the company recorded unusual charges of $500.6 million against its operating income. These charges were comprised of labour-related restructuring charges of $422.2 million, enhancements to the environmental remediation program of $50.0 million, and a one-time charge of $28.4 million mostly relating to Y2K.
- In 1998, unusual items netted to $15.3 million. In the fourth quarter of 1998, the company realized a gain on the sale of Coastal Marine Operations of $44.4 million and recorded Y2K information systems related expenses of $29.1 million.
- In 1997, unusual gains totalled $134.3 million. Gain from the sale of the KCCL in the second quarter contributed $54.2 million. In the fourth quarter, rationalization on the St. Lawrence and Hudson Railway and the monetization of a property lease in Montreal contributed $80.1 million.
- In 1996, a gain of $16.7 million was realized in the third quarter from the sale of equity investment in an industry insurance association.

CORPORATE REORGANIZATION

- As part of the corporate reorganization on July 4, 1996, Canadian Pacific Limited changed its name to Canadian Pacific Railway Company ("CPR") and became a subsidiary of a newly created publicly held Canadian Pacific Limited ("CPL"). CPR then distributed its interest in non-rail industries, with a few exceptions, to CPL. Immediately following the reorganization CPR was comprised of the former railway division of CPL, interests in Laidlaw Inc. and in a number of other non-rail companies largely set up as international financing vehicles for the railway and a number of other non-strategic assets.
- In June of 1997, CPR distributed to CPL $1.469 billion of its non-strategic assets comprising the bulk of its non-rail segment.
- In order to present meaningful comparative annual financial information for periods prior to the reorganization, the five year comparative summary data are presented as though the transfer of assets to CPL in connection with the July 4, 1996 reorganization had taken place prior to January 1, 1995.

DEFINITIONS

- Operating ratio: Total operating expenses divided by total revenues.
- ROCE: Return on capital employed = EBIT (last 12 months) divided by average net debt plus equity (railway).
- Debt / Equity ratio: Net debt divided by net debt plus equity.
- EBIT: Earnings before interest and taxes.
- EBITDA: Earnings before interest, taxes, depreciation and amortization.

CURRENCY

- All amounts are stated in Canadian dollars unless otherwise indicated.

M.T. (Mike) Waites
Executive Vice-President and
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Calgary, Alberta T2P 4Z4
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If you wish to obtain additional copies of this report, kindly write to the Executive Vice-President and Chief Financial Officer at the address indicated above.

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annual information form

CANADIAN PACIFIC RAILWAY COMPANY March 12, 2001

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Note: In this Annual Information Form, all dollar amounts quoted are in Canadian dollars unless otherwise noted.

ITEM 2 CORPORATE STRUCTURE

Canadian Pacific Railway Company

Canadian Pacific Railway Company (the "Company" or "CPR") was incorporated by Letters Patent dated February 16, 1881, pursuant to an act of the Parliament of Canada. The Company was continued under the *Canada Business Corporations Act* (the "CBCA") on May 2, 1984, and reorganized under the CBCA by Certificate of Arrangement dated July 4, 1996 (the "1996 Reorganization"). Various amendments to the Company's Articles of Incorporation, primarily in respect of the creation and attributes of the Company's preferred shares, were made prior to and following the 1996 Reorganization. The Company's Articles of Incorporation were consolidated and restated by Restated Certificate of Incorporation dated July 16, 1997. By Certificate of Amalgamation dated January 1, 1998, the Company amalgamated with certain numbered company affiliates. The Articles of Amalgamation are identical to its restated articles. By Certificates of Amendment dated December 11, 1998 and October 4, 1999, the Company amended its Articles of Incorporation to provide for the issuance of two series of preferred shares referred to, respectively, as the "First Preferred Shares, Series 1" and the "Third Preferred Shares, Series 2". By Certificate of Amendment dated April 20, 1999, the Company further amended its Articles of Incorporation to change its registered office to Calgary, Alberta from Montreal, Quebec. On February 15, 2000, the Company amended its Articles of Incorporation to create another series of preferred shares referred to as the "Third Preferred Shares, Series 3". By Certificate of Amalgamation dated January 1, 2001, the Company amalgamated with its wholly-owned subsidiary, St. Lawrence & Hudson Railway Company Limited ("StL&H").

On February 13, 2001, CPR's parent company, Canadian Pacific Limited ("CPL"), announced that it intends to divide CPL and its holdings into five separate, publicly-traded companies. Upon completion of the proposed reorganization by Plan of Arrangement, shareholders of CPL will have shares in five separate public companies, one of which will be CPR. While this represents CPL's current intention, it could be modified in response to market conditions as the process unfolds.

CPR is one of Canada's oldest companies. The core of the business is the Canadian railway division. CPR also owns United States ("U.S.") railway interests through Soo Line Corporation ("Soo Line", incorporated under the laws of Minnesota) and Delaware and Hudson Railway Company, Inc. ("D&H", incorporated under the laws of Delaware), both of which are indirect wholly-owned subsidiaries. The StL&H operated the Company's eastern Canadian rail assets since October 1996, however, the StL&H was amalgamated with the Company as of January 1, 2001.

The Company's registered office, executive offices and principal place of business are located at Suite 500, 401-9th Avenue SW, Calgary, Alberta T2P 4Z4.

ITEM 2 CORPORATE STRUCTURE

Principal Subsidiaries

The table below sets out the Company's principal subsidiaries, including the jurisdiction of incorporation and the percentage of voting securities currently owned directly or indirectly by the Company. D&H has no outstanding non-voting securities. Soo Line has a small number of non-voting preference shares outstanding, all of which are owned by an affiliate of the Company.

Principal Subsidiary	Incorporated under the laws of	Percentage of voting securities held directly or indirectly by the Company
Soo Line Corporation	Minnesota	100%
Delaware and Hudson Railway Company, Inc.	Delaware	100%

ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

In October 1998, two of the Company's eastern rail subsidiaries, Ontario and Quebec Railway Company and Toronto, Grey & Bruce Railway Company, were amalgamated with the StL&H.

In November 1998, the Company sold the Coastal Marine Operations ("CMO"), the Company's marine freight service between British Columbia's mainland and Vancouver Island.

In December 1998, the Company transferred the operations of the Esquimalt and Nanaimo Railway ("E&N") to RailAmerica Inc. The E&N provided freight and passenger rail service between Victoria and Courtenay, and freight service between Port Alberni and Nanaimo, on British Columbia's Vancouver Island.

During 1999, the Company completed its three-year $2.8 billion franchise renewal program. This program included: the acquisition of 270 high-adhesion, alternating current ("AC") locomotives; advanced information systems; expanded intermodal facilities; and track and yard upgrades.

Also in 1999, based on arrangements with Norfolk Southern Corporation ("NS") and CSX Transportation ("CSX") arising from their joint purchase of Conrail Inc. ("Conrail"), CPR gained enhanced and more cost-effective access to the northeastern U.S., including New York City.

In the second quarter of 1999, in conjunction with its ongoing expense reduction efforts and additional environmental studies, CPR recorded a liability of $473 million primarily to cover the cost of eliminating approximately 1,900 permanent positions and enhancing its environmental remediation program.

In 2000, the prior-year labour reduction initiative to eliminate approximately 1,900 permanent positions was substantially completed.

During 2000, the federal government passed new legislation implementing a variable revenue cap for railways on Canadian regulated grain traffic. Beginning in the 2000/2001 crop year, a partial and gradual phase-out of the Canadian Wheat Board's role in Prairie grain logistics began. CPR experienced reduced revenues from grain as a result of the revenue cap, but is continuing to work to minimize the negative impact.

Effective January 1, 2001, the StL&H was amalgamated with CPR and no longer exists as a separate legal entity. The StL&H will continue to operate as a division of CPR under the name Eastern Network Canada ("EN Canada") as part of CPR's overall Canadian and U.S. eastern network ("EN"). The amalgamation is part of CPR's ongoing efforts to streamline administration.

ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

CANADIAN PACIFIC RAILWAY

Overview

The Company provides rail freight transportation over a 14,000-mile railway network serving most of the principal centres of Canada as well as the midwestern and northeastern U.S. Of the total mileage operated, approximately 6,800 miles are located in western Canada, 2,500 miles in eastern Canada, 3,200 miles in the U.S. Midwest, and 1,500 miles in the U.S. Northeast. The eastern Canada miles include approximately 200 miles that were previously included in the western Canada miles as a result of new service area boundaries created during 2000.

The Company's business is based primarily on funneling traffic from strategic network feeders and connectors onto a 4,700-mile high-density, high-quality mainline network (the "network"). The network offers the shortest rail distance for bulk products being transported from key producing areas in western Canada to the Port of Vancouver in British Columbia, and to Toronto, Ontario in Canada's industrial heartland, via Thunder Bay, Ontario.

In the east, CPR provides a key link between the Port of Montreal and the U.S. Midwest. In conjunction with international container shipping lines, including Canada Maritime Limited and Cast Line Limited which are owned by CP Ships, this rail link forms an integral part of the most direct route for transporting container traffic between Europe and the U.S. Midwest. The Company also serves the major population centres of Montreal, Quebec; Toronto; Newark, New Jersey; New York City, New York; Buffalo, New York; Philadelphia, Pennsylvania; and Washington, D.C. The U.S. Northeast is primarily accessed via owned trackage and operating rights of the D&H, part of the EN.

The Company's freight traffic is organized into three lines of business: Agri-products and Coal, Resource Products, and Intermodal and Automotive. Approximately 45% of the Company's freight revenue is derived from the movement of bulk freight, which includes agricultural and coal products. On the non-bulk side, shipments of Resource Products make up 23%, and Intermodal and Automotive accounts for the remaining 32% of freight revenue. The Company serves a wide range of customers, with no single customer accounting for more than 10% of total freight revenue.

Network

The Company's network extends from the Port of Vancouver in the west to the Port of Montreal in the east, and to the industrial centres of Chicago, Illinois, New York, Newark, Buffalo, Philadelphia, and Washington in the U.S.

The network consists of four primary corridors, each of which is comprised of a number of collector and feeder lines: the Western Corridor, the Southern Corridor, the Central/Eastern Corridor, and the Montreal-Chicago Corridor.

The Western Corridor

The Western Corridor links Vancouver and the Company's major western interchange point in Moose Jaw, Saskatchewan, with service through Calgary, Alberta. This corridor averages 30 freight trains per day, representing annual tonnage density of 85-90 billion gross ton miles. The primary commodities carried are coal, grain, consumer products (containers), forest products, and petrochemical products. The Western Corridor contains the 9.8-mile Mount Macdonald tunnel, opened in 1988, which reduces the ruling grade for loaded westbound trains to 1%. The vast majority of the bulk trains operating in this corridor employ technology (locotrol) to enable the efficient mid-train positioning of locomotive units and utilize the railway's newest high horsepower, high-adhesion, AC locomotives. In January 2000, an agreement was reached between Canadian National Railway Company ("CN") and CPR allowing directional running in the busy Fraser Canyon where both companies operate parallel routes. This has created improvements in both efficiency and productivity.

The Western Corridor predominantly carries export traffic destined for Asian markets and import container traffic from Asia destined for central and eastern North American markets. Substantial domestic and cross-border traffic is also carried. Over the past few years, operating efficiencies have been gained by adding and lengthening sidings to accommodate longer trains and expanding yards to permit direct transfers of traffic from rail to ship. With the opening of an intermodal container terminal, Deltaport, to handle containers at Roberts Bank terminal, the Port of Vancouver is better positioned to compete with other ports on the Pacific coast. In July 1999, a new approximately $35 million intermodal terminal next to the Company's Port Coquitlam yard in greater Vancouver was opened and has further increased CPR's freight throughput capacity.

The Southern Corridor

Via its Southern Corridor, the Company offers a direct route between western Canada and Chicago. The corridor starts at the Moose Jaw interchange point with the Company's other major corridors and extends, via the Soo Line, south to Chicago on a direct routing through Minneapolis, Minnesota, and Milwaukee, Wisconsin. Important traffic categories on the Southern Corridor include import/export containers, Canadian fertilizers, chemicals, grain, and U.S. agricultural products.

The Central/Eastern Corridor

The Central/Eastern Corridor extends from Moose Jaw through Winnipeg, Manitoba to Toronto. From Toronto, service extends to Montreal and, via an operating rights agreement, to the Ottawa Valley. This corridor serves the Port of Thunder Bay, which is Canada's primary Great Lakes bulk terminal. The corridor also offers shippers direct rail service from Toronto to Calgary and Vancouver via the Western Corridor. Major traffic categories are Canadian grain, Canadian coal, industrial products, and Automotive and Intermodal.

The Montreal-Chicago Corridor

CPR provides a key link between the Port of Montreal and Chicago, a significant rail interchange point. In conjunction with international container shipping lines, including Canada Maritime Limited and Cast Line Limited which are owned by CP Ships, this link is an integral part of the most direct container transportation route between Europe and the U.S. Midwest. During 2000, the Company signed a three-year haulage agreement with CN to access CN's Toronto-Chicago mainline. CPR will be able to route a minimum of 14 merchandise and/or intermodal trains per week over the line through the St. Clair Tunnel, thereby increasing capacity between Chicago and the Port of Montreal.

Collectors and Primary Feeders

The Company also maintains collector and primary feeder trackage as part of its 14,000-mile network. These link the network to major sources of railway traffic and provide direct connections to interchanging railways. The collectors and primary feeders are important contributors to the Company's overall service to bulk shippers and are maintained accordingly.

Principal among the collectors and primary feeders are:

The D&H: This line links Montreal and Toronto to the U.S. Northeast including the major centres of New York, Newark, Buffalo, Philadelphia, and Washington.

The Coal Route: This line links the coal deposits along the British Columbia/Alberta border to the Western Corridor which ends at the Roberts Bank terminal at the Port of Vancouver.

Calgary-Edmonton: This line provides competitive service for intermodal and petrochemical customers.

The U.S. Export Potash Route: Key to the Company's current leading share of the potash business in North America, this line connects key fertilizer business in Saskatchewan to the U.S. Midwest market and to the Ports of Vancouver and Portland.

The UP Connection: This line is the primary link between CPR and the Union Pacific Railroad ("UP") at Kingsgate, British Columbia, and provides a direct connection to and from the U.S. West Coast and Southwest, via the UP, for commodities such as potash, fertilizers, forest products and industrial products.

Alberta Connection: This line between Calgary and the Burlington Northern Santa Fe Corporation ("BNSF") interchange at Coutts, Alberta, provides a link to shippers on the BNSF system.

Lines of Business

Freight Revenues

(in $ millions)	2000	1999	1998	1997	1996
Grain	755	688	741	826	725
Coal, sulphur and fertilizers	814	811	902	967	881
Forest products	366	361	325	310	317
Industrial products	438	433	430	430	421
Intermodal	782	752	679	616	608
Automotive	305	279	238	228	210
Sub-total	3,460	3,324	3,315	3,377	3,162
KCCL*	-	-	-	52	217
Total freight revenues	3,460	3,324	3,315	3,429	3,379

* Kansas City and Corn Lines ("KCCL") were sold in 1997.

Agri-products and Coal

Agri-products and coal represent the foundation of the Company's position as a western-based resource carrier and accounted for approximately 45% of the Company's freight revenues in 2000, unchanged from 1999. These bulk commodities are more vulnerable to changes in world markets than to changes in the North American business cycle. Major commodities handled include:

Canadian grain - The largest movements of this commodity are exported through the Ports of Vancouver and Thunder Bay under revenues regulated by the federal government. Two reports (see pages 18 and 19 under "Canadian Regulation" for details) were commissioned by the federal government to examine the regulatory framework as it applies to the grain handling and transportation system. In May 2000, the government announced several proposed changes affecting grain transportation in Canada. The changes, embodied in new legislation, became effective August 1, 2000. They include:

1. Repeal of the regulated maximum rate scale and implementation of a variable revenue cap for railways on Canadian regulated grain traffic. This allows railways to charge variable rather than fixed rates while managing to a total revenue position. The revenue cap is railway specific and is inflated by a cost index on an annual basis.
2. Requirement that the Canadian Wheat Board tender a minimum of 25% of its traffic for export in the 2000-2001 crop year, climbing to a minimum of 50% in 2002-2003.

ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

The Canadian grain handling system has been dominated by low-volume wood crib elevators on low-volume branch lines. Grain companies have invested over $1 billion in the construction of high-throughput elevators located on railway mainlines. These high-throughput concrete elevators that can load 50 and 100 car trains, coupled with new locomotive technology, will allow the system to quickly migrate from a single-car collector environment to one dominated by multi-car blocks from one or two origins per train to a specific terminal destination. This is expected to reduce costs for railways, grain companies and farmers.

U.S. grain - The Company transports grain from U.S. origin points through its collector lines in North Dakota, South Dakota and Minnesota. This traffic is generally carried to mills located near population centres, trans-shipment points accessible by inland barge carriers and to export locations. CPR is the only carrier that can move grain on a single-line haul from west of Chicago through to mills located in the northeastern U.S.

Canadian coal - Canadian coal producers face significant competition in offshore markets from foreign producers and are dependent upon efficient rail transportation. Most of the coal handled by the Company is western metallurgical coal. Much of the Canadian coal is destined for export via Vancouver for use in the steel-making process in the Pacific Rim as well as in Europe and South America. The Company has the advantage of providing exclusive rail service to mines located in southeastern British Columbia, which produce high-quality coal, have long-term reserves and are world-class competitive operators. Fording Inc., a wholly-owned subsidiary of CPL, owns three of the region's coal producing mines.

U.S. coal - In the U.S., the Company primarily carries thermal coal on its feeder lines in Indiana, Illinois and Wisconsin. This business is diversified, with no one customer or market dominating CPR's handlings.

Sulphur - Sulphur is an involuntary by-product of the production of oil and natural gas. The Company moves this commodity from certain regions of western Canada to U.S. plants for use in fertilizer production and a variety of industrial applications. In addition, the Company currently handles half of the total export sulphur traffic through the Port of Vancouver destined mainly for China, with some shipments to Australia, Brazil, South Africa, and Morocco. This export business comprises 67% the Company's total sulphur shipments.

Fertilizers - The two main segments of this business are chemical fertilizers and potash. The latter is based on the extensive potash deposits found on the Canadian prairies and involves movements to the U.S. as well as to Vancouver for export to Pacific Rim countries. The Company has more than a 50% share of total originating rail loadings of potash in Canada. Shipments of chemical fertilizers and potash tend to be seasonal, with increased rail loadings prior to the planting season around April and following the fall harvest.

Resource Products

Resource Products accounted for approximately 23% of the Company's freight revenues in 2000, down from 24% in 1999, and represent input commodities for a range of industries in the North American economy. Major commodities include:

Forest products - The Company carries a variety of products for the forest industry. The two largest volume products are lumber from British Columbia and newsprint from eastern Canada, both destined for the U.S. CPR also transports woodpulp for a variety of producers.

Industrial products - This category includes chemical and energy products, metals and aggregates. The location of mines, steel mills and aggregate facilities adjacent to CPR's rail lines provide for the shipment of a diverse group of industrial products for a wide range of customers. The Company transports chemicals such as glycol, styrene and methanol, generally from the petrochemical industry in Alberta, to points within the domestic North American market and to trans-shipment points for export markets in the Pacific Rim, including Japan and China.

Intermodal and Automotive

Intermodal and Automotive accounted for approximately 32% of the Company's freight revenues in 2000, up from 31% in 1999, and generally consist of high-value, time-sensitive shipments. This traffic is typically subject to intense competition from trucks and other railways. As intermodal traffic has increased over the last five years, CPR has maintained a total intermodal (import/export and domestic) market share in Canada in the mid-40% range (44% in 2000). The following commodities are shipped:

Import/export intermodal - CPR is the leading provider of rail service to the container shipping lines serving the Port of Montreal. The overseas export component of the intermodal business is dependent on international economic conditions and is also subject to competition among ports for business. Import traffic carried by the Company through the Port of Vancouver is mainly long-haul business destined for eastern Canada and faces less competition from trucks. In 1999, CPR successfully developed a new, high-efficiency train service between the Port of Vancouver and Chicago for import/export marine containers.

Domestic intermodal - The Company operates a series of intermodal terminals in major Canadian and U.S. cities on its network. Most of CPR's domestic intermodal traffic is shipped in containers between Toronto, Montreal and several western Canadian cities. The domestic intermodal marketplace is primarily driven by consumer demand. Market share in the intermodal market is heavily influenced by transit times, on-time reliability and other service factors. Intermodal competition in Canada is intense, with the main competition for long-haul business coming from other railways. In 1999, an inventory system called OASIS was implemented in eight key intermodal terminals across the Company's network. This innovative system uses hand-held or on-board computers allowing for real-time data capture and communication of work instructions.

Automotive - CPR has access to all, and services most, of the major automotive assembly plants in Ontario and Quebec, as well as some facilities in the U.S. Midwest. The Company transports inbound import vehicles from Vancouver to eastern Canada and vehicles produced domestically in the east to western Canada. CPR also originates U.S.-bound shipments of finished vehicles from the assembly plants that it serves.

Food and consumer - The Company handles a variety of foodstuffs and consumer goods as carload freight, using either box cars for packaged food or tank cars for liquids. Conversion of less-than-truckload freight transported in boxcars to intermodal container service was completed in 2000, allowing for these shipments to be moved more efficiently.

Competition

CPR's major competitors for freight transportation in Canada include other railways, such as CN, and trucking companies. CN operates a transcontinental railway system serving most of the same principal centres as CPR. In addition, CN also runs from Chicago to the Gulf Coast.

In the U.S., CPR is subject to competition for freight traffic from U.S. railways, particularly, BNSF, NS, CSX, and UP, as well as from trucking companies. Competition is based mainly on price and quality of service.

On January 30, 2001, CN came to an agreement to buy Wisconsin Central Transportation Corp., which operates in the U.S. Midwest. The purchase is subject to shareholder approval and U.S. regulatory review. The competitive implications of this purchase are undeterminable at this time.

The North American trucking industry is comprised of a large number of for-hire carriers, as well as sizable shipper-owned fleets. Competition with the trucking industry is generally focused on freight rates, flexibility of service and transit time performance. To address its competitive position in the short-haul market, CPR introduced the Expressway service ("Expressway"), a roll-on/roll-off truck trailer service, which allows the Company to offer low-cost, high-quality intermodal service in the competitive short-haul market. Because Expressway is still in its start-up phase, its full potential has yet to be determined.

Back-haul capacity, which is the capacity available for rail freight cars to carry loads on the return portion of their transit cycles, is also being used as a strategic tool to create a lower-cost alternative for customers, thereby enabling CPR to compete more effectively with the trucking option.

ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

Strategy

CPR continues to follow a three-point strategy aimed at improving operating profitability, return on capital employed and net cash generation. It is the Company's goal to be fully competitive with major North American railways on these key measures of financial performance.

The three-point strategy is based on:
- cost reduction,
- franchise renewal, and
- revenue growth.

Cost Reduction

CPR has aggressively pursued cost reduction initiatives across all of its operations. These initiatives have resulted in a streamlined administrative organization and the divestiture of approximately 4,750 miles of underutilized railway lines (representing approximately 31% of the CPR network) since 1996.

In mid-1999, the Company announced a program to reduce its operating cost base. On July 21, 1999, the Company announced that, in conjunction with its ongoing expense reduction efforts, 1,900 permanent positions, or approximately 10% of the Company's workforce at that time, were to be eliminated by the end of 2000. These reductions have been substantially completed and were made throughout all parts of the organization, including management, administration, maintenance shops, train operations, and track maintenance.

In the third quarter of 1999, CPR launched a new operating plan called "Genesis". Genesis focuses on train operations and enables the running of longer, heavier, more cost-efficient trains while meeting customer commitments. The impacts of Genesis include more fluid train and yard operations, better equipment and train crew utilization, and lower fuel and train maintenance costs.

The next phase of the Company's operating plan, Service Excellence, is expected to leverage the Company's investment in information technology by allowing it to schedule even more activities in its rail operations. The Service Excellence tools include: DELTA, which optimally matches demand for equipment with supply; VISTA, which produces shipment trip plans and estimated times of arrival; TYES, which effectively manages trip plans through the yards; and OASIS, which enhances intermodal terminal management and service. The scheduling of more rail activities with these new operating systems is expected to further improve locomotive and car utilization, train operations, and labour productivity. The improvement is designed to reduce costs while maintaining service.

In April 2000, the Company announced an agreement with Progress Rail Services Corporation for the lease and operation of CPR's Weston Shops in Winnipeg. The agreement is expected to generate increased productivity and capacity utilization at the facility.

In September 2000, the Company announced an expansion of its Warranty Service Agreements. The expansion will see more than three-quarters of the railway's locomotive fleet covered by service agreements with strict performance commitments. CPR's high level of locomotive reliability has been a key to the success of Genesis and will be a key to the future implementation of a more scheduled railway under Service Excellence.

In January 2001, the Company announced an agreement in principle with ALSTOM for the lease and operation of CPR's Ogden Shops in Calgary. Similar to the agreement with Progress Rail Services Corporation, this agreement is expected to generate increased productivity and capacity utilization at Ogden Shops. A final agreement is expected to be reached in April 2001.

Franchise Renewal

The Company completed its three-year accelerated franchise renewal plan, with a total capital investment of approximately $2.8 billion, in 1999. The accelerated renewal has resulted in a significant improvement in the capacity, productivity and reliability of the franchise. Significant improvements have been realized in track, yards and terminals, motive power, and information systems. The Company remains committed to on-going maintenance and renewal of its franchise.

Track, yards and terminals

CPR's network renewal strategy concentrates capital spending on investments designed to increase capacity, improve customer service levels, and optimize return on capital.

Among other projects, in 2000, the Company:
- forged a long-term partnership with Union Carbide by completing construction of a rail line into Union Carbide's plant at Prentiss, Alberta. The new rail line secures access to a major source of petrochemical production;
- increased usage of fibre optics strands in the Vancouver-Chicago corridor providing an improved signals and communications network;
- undertook expansion of the busy southwestern Ontario corridor which was approaching capacity;
- continued upgrades to the Calgary-Edmonton corridor;
- entered into a co-production agreement with CN to increase capacity in the Fraser Canyon through the bi-directional running of trains in the Fraser Canyon, thereby acquiring capacity at minimal cost; and
- entered into a three-year agreement with CN to access CN's Toronto-Chicago mainline via the St. Clair Tunnel to increase capacity between Chicago and the Port of Montreal.

Rolling Stock

In 2000, the Company launched an initiative to renew its freight car fleet. The Company took delivery of 625 aluminum coal cars, and a further 625 cars will be delivered in 2001. The move to aluminum allows for increased payload capacity and increased unit train length. Another part of the modernization program is the expected delivery beginning in 2001 of 1,400 100-ton boxcars. The shift from 70-ton cars to the new 100-ton cars is expected to generate productivity improvements for both the Company and its customers.

The Company remains committed to maintaining its locomotive fleet to a high standard; it has ordered 51 high-performance AC locomotives from General Electric Transportation Systems, currently scheduled to be delivered in 2001 and 2002. Recent locomotive acquisitions have improved reliability as well as service levels and have produced cost savings for fuel, equipment rents and maintenance. In addition, the superior haulage capacity of AC locomotives has permitted the retirement of less efficient and less reliable direct current ("DC") locomotives.

Information technology

CPR's revenue accounting system is expected to be upgraded and redesigned by the end of 2002. The redesigned system should lead to improved pricing and more efficient revenue capture.

Another key information system initiative CPR has undertaken is a move into e-business. E-business is expected to reduce expenses, improve productivity, and enhance customer service. CPR anticipates using technology to leverage its supply services and to shift its customer interface from manual (person-to-person) to e-based.

Revenue Growth

The Company is a major bulk carrier and continues to seek greater efficiencies in the bulk arena, however, non-bulk commodities, specifically service-sensitive ones such as intermodal and automotive, continue to provide a source of growth for CPR. CPR's franchise renewal program combined with its new operating plan announced in mid-1999 have generated and maintained strong customer service levels that allow the Company to excel in these service-sensitive markets.

Revenue has grown 4% over 1999 in the highly competitive, service-sensitive intermodal market. The Company's gains in intermodal have been supported by a buoyant North American economy.

In the automotive sector, the Company's revenue increased 9.3% in 2000 over 1999. The improvements in this business area were driven by strong consumer demand, particularly for trucks and SUVs, plant expansions (which translated into increased volume), and significant growth in the import business at the Port of Vancouver. There are signs that a slowdown in the U.S. economy is having a negative impact on the automotive industry. The potential effect that this might have on CPR revenues is undeterminable at this time.

In 2000, the Company formed a subsidiary, Tronicus Inc. ("Tronicus"), to compete in the growth sector of the logistics industry that offers total supply chain solutions. Tronicus will engineer and implement integrated and customized supply chain solutions for business in all industries. Tronicus, located in Calgary, is expected to begin marketing its services in early 2001.

Investments in the Western and Southern corridors have provided increased capacity for growth in these corridors. The Western and Southern corridors provide the Company with the shortest single-line route from the Port of Vancouver to Chicago, with strong connections to U.S. Class 1 railways. It is anticipated that this investment will enable the Company to increase its trans-Pacific container traffic.

Based on arrangements with NS and CSX arising from their joint purchase of Conrail, CPR has gained enhanced and more cost-effective access to the U.S. Northeast, including New York City. This has allowed the Company to expand the service area offered to CPR customers and is expected to translate into improved profitability for the Company's northeastern U.S. operations.

The Company, working in cooperation with CN, has signed a five-year deal for CPR to carry CN's forest products over CPR's strategically placed D&H network. The deal generates revenue growth opportunities and added density over the D&H without an additional outlay of capital. A reciprocating three-year deal allows CPR to route a minimum of 14 trains per week over CN's Toronto-Chicago mainline.

CPR continues its focus on strengthening and extending its franchise through alliances. CPR has entered into agreements with UP to improve service and capacity on the UP Connection (Calgary to Portland via Kingsgate) and to offer carload and intermodal service to Mexico. CPR has also joined with other carriers to launch the e-business initiatives Arzoon and Steelroads which employ the internet to provide customers with easier access to freight transportation services. Initial results in 2001 indicate that the slowdown in the U.S. economy is having a negative impact on CPR's revenues, although the magnitude and length of such impact is unknown at the present time. CPR is implementing policies to control costs as well as focusing on other revenue incentives and growth opportunities in an effort to minimize any effect that an economic slowdown has on CPR's results.

Right of Way, Rolling Stock, Yards and Repair Facilities

Right of Way

CPR's rail network is all standard gauge, which is used universally by major railways in Canada, the U.S. and Mexico. Continuous welded rail is used on over 96% of the Company's network. Virtually all of the network and primary feeder trackage is 100-pound rail or heavier, suitable for movements of 286,000-pound cars. At December 31, 2000, approximately 4,300 miles of the network had a signal system in place, of which approximately 3,550 miles were subject to centralized traffic control and 750 miles had automatic block signals.

Rolling Stock

The Company owned or leased the following units of rolling stock at December 31, 2000:

	Owned & Leased Long-Term
Diesel Locomotives	
Road Freight (≥3,000 HP)	1,015
Road Switcher	271
Yard Switcher	279
Total	1,565
Freight Cars	45,400 (1)

(1) Includes 9,400 hopper cars owned by federal and provincial government agencies.

The age distribution of the locomotive fleet at December 31, 2000, calculated from the date of original manufacture, is shown below:

Age in Years	Number of Locomotives (owned & leased long-term)				
	Road Freight		Road	Yard	
	AC	DC	Switcher	Switcher	Total
0-5	330	-	-	-	330
6-10	-	-	-	-	-
11-15	-	88	94	-	182
16-20	-	141	29	-	170
Over 20	-	456	148	279	883
	330	685	271	279	1,565

Yards

CPR's classification yards are located in Montreal, Toronto, Thunder Bay, Winnipeg, Moose Jaw, Calgary, and Vancouver in Canada; and Chicago and St. Paul, Minnesota in the U.S.

Repair Facilities

Locomotive servicing and freight car facilities are located in: Toronto; Thunder Bay; Winnipeg; Moose Jaw; Golden, British Columbia; and Vancouver in Canada; and Binghamton, New York; and St. Paul in the U.S. In addition, there are five smaller repair facilities located across the network. The Company's heavy repair and rebuilding facilities, recently leased to ALSTOM (see page 13), are located in Calgary.

Labour Relations

The total number of CPR employees at December 31, 2000, was approximately 17,500, of which approximately 75% are unionized. Approximately 80% of CPR's current work force is located in Canada.

Labour Relations - Canada

Of the seven collective agreements in place at CPR, four expired at the end of 2000 and three are in effect through to the end of 2002.

Settlements have been reached with the bargaining unit representing clerical employees, and with the bargaining unit representing track maintenance workers. Both renewal agreements extend to the end of 2003. Negotiations with the bargaining unit representing signal maintainers are ongoing. At February 22, 2001, the Company and the bargaining unit representing car repair employees were in conciliation.

The five collective agreements that are now in effect provide for wage increases of two per cent annually and contain improved health and vision plans, pension and life insurance benefits. Included in the agreements are work-rule changes designed to increase flexibility and reduce costs.

Gainshare programs are in place for approximately 7,100 employees represented by five bargaining units. Gainshare is a pay-for-performance system under which employees receive a share of the financial gains or savings they help generate. All major gainshare programs have a portion of their payout tied to a satisfaction index based on customer evaluation of CPR's performance.

Labour Relations - U.S.

In the U.S., the Company is party to collective agreements with 31 bargaining units: 16 with the Soo Line, 14 with the D&H, and one with the customs clerks (Detroit).

Soo Line

On the Soo Line, all 16 collective agreements were up for re-negotiation at the end of 1999, as they were at all Class 1 railroads. All but the bargaining unit representing signal employees have served notice to bargain. Negotiations are ongoing with three of the bargaining units, representing dispatchers, machinists and engineers. Of the remaining 12 bargaining units that have served notice, one has yet to begin initial discussions, and discussions are on hold with 11 pending resolution of national negotiations.

Discussions with most U.S. Class 1 multi-carrier national bargaining units are ongoing. Soo Line will continue to negotiate directly with each bargaining unit, rather than join with other Class 1 railways in national negotiations. In the past, direct negotiations have helped the Company and the bargaining units tailor certain settlement provisions to the needs and concerns of both the business and the workforce.

D&H

At year-end 2000, the D&H had agreements in effect with seven of its 14 bargaining units. Of the seven, six extend to the end of 2001 and one to the end of 2002.

In February 2001, D&H reached a three-year renewal agreement with the bargaining unit representing machinists, whose agreement had expired at the end of 1999. Negotiations are ongoing with the three remaining bargaining units whose agreements expired at the end of 1999, representing the pipefitters, electricians and labourers. Of the three agreements that expired at the end of 2000, notices to bargain have been served by two bargaining units, representing the police and conductors/trainpersons. The remaining bargaining unit, representing track maintenance workers, is in a position to serve notice at any time.

Gainshare programs are in place for employees represented by nine of the 14 D&H bargaining units.

Customs Clerks (Detroit)

The agreement between CPR and the Transportation Communications International Union ("TCU"), representing the Detroit customs clerks, expired at the end of 1999. The parties have agreed to defer negotiations until after a settlement between Soo Line and the TCU has been reached.

Safety

The Company's Safety and Health Management Committee, established in 1995, provides ongoing focus, leadership, commitment, and support for all Company efforts to improve the safety of the operations and the safety and health of all employees. A bottom-up safety action planning process, called the Safety Framework, involves over 1,500 employees in the planning and implementation of safety-related activities. This, combined with a top-down planning process that encompasses all operational functions, ensures continuous and consistent focus on safety.

At December 31, 2000, U.S. Federal Railroad Administration ("FRA") personal injuries per 200,000 employee hours were 3.9, down approximately 11% from 1999 and down 45% since 1996. In 2000, FRA reportable train accidents per million train miles declined to 2.0, down 5% from 1999 and down 62% since 1996.

Regulation

Rate setting, network rationalization and safety in Canada are subject to regulation by the Canadian Transportation Agency and the federal minister of transport (the "minister") under the *Canada Transportation Act* ("CTA"), the *Railway Safety Act* ("RSA") and certain other statutes. U.S. operations are subject to regulation by the Surface Transportation Board ("STB") and the FRA.

Canadian Regulation

The railway's economic activities (including matters relating to rates, level of service obligations and line discontinuance) are subject to the provisions of the CTA, which introduced a less restrictive regulatory environment for Canadian railways in 1996.

The CTA contains shipper rate and service protections including final offer arbitration, compulsory interswitching and competitive line rates. However, to gain recourse to certain of these protections, the shipper must establish that it would suffer "substantial commercial harm" if the relief sought were not granted. These shipper protections also extend to western grain transportation.

The minister has initiated a statutory review of the CTA in order to assess whether it provides Canadians with "an efficient, flexible and affordable transportation system." Recommendations to amend the legislation or the national transportation policy set out in Section 5 of the CTA may be made where necessary or desirable. A panel of experts appointed by the minister has conducted meetings and has received submissions from a wide variety of interested parties. The major focus of the review is on amendments to the CTA which would allow any shipper or other carrier to have direct access to federally regulated railway facilities. The outcome of the review is uncertain at this time.

Under the regulatory regime for the carriage of western grain incorporated into the CTA, railway rates were subject to a ceiling adjusted annually for changes in the price of railway input factors. The rate ceiling was also reduced by a factor for each mile of grain-dependent branch line removed from the network. Following a review (Estey Report and Kroeger Report) to examine the effectiveness of the regulatory framework and efficiency of the grain handling and transportation system as well as the sharing of efficiency gains between shippers, producers and railways, the federal government has introduced amendments to the CTA, effective August 1, 2000:

- the freight rate cap has been replaced with a variable revenue cap on Canadian regulated grain traffic with the result that CPR experienced reduced revenue from grain, but is continuing to work to minimize the negative impact; and
- provisions dealing with the discontinuance of grain dependent branch lines will make disposition of a branch line more difficult.

Canada's federally regulated railways are also subject to the RSA, which governs safety and operational aspects of the industry, as well as the *Canadian Transportation Accident and Investigation and Safety Board Act.* The RSA was amended in 1999, providing new regulation-making powers to Transport Canada. Significant new regulations have been proposed and will become effective in 2001, including regulations for rail safety management systems, crossing standards, whistle ban regulations, and the prevention of unauthorized access to railway rights of way (ie. trespassing). CPR is also subject to legislation relating to the environment and the transportation of hazardous materials. Amendments to the Transportation of Dangerous Goods regulations, which have been in progress for several years, will be implemented in 2001.

U.S. Regulation

The deregulation of certain rates and services by the *Staggers Rail Act of 1980* ("Staggers Act") has fostered a highly competitive railway industry by allowing railways to react more flexibly to market forces, resulting in declines in U.S. rail rates. In recent years, there have been some efforts to re-regulate certain aspects of the U.S. rail industry previously deregulated. Re-regulation is opposed by the rail industry.

The Company's U.S. operations are subject to the jurisdiction of the STB. The STB governs a variety of railway matters including service levels, freight car rental payments, certain rail traffic rates, the terms under which railways may gain access to each other's facilities and traffic, the merger or acquisition of railways and the discontinuance of operations on rail lines.

Following an announcement in 1999 by BNSF and CN that they intended to merge operations, the STB decided to review its merger rules and placed a 15-month moratorium on railway mergers (upheld by the U.S. Court of Appeals on July 14, 2000). The STB has since issued proposed rules which, if adopted, would have the effect of making mergers between Class 1 railways more difficult and more costly. The moratorium is scheduled to be lifted in 2001.

The FRA governs CPR safety and equipment standards. State and local regulatory agencies may also exercise jurisdiction over certain safety and operational matters of local significance.

Research and Development

CPR undertakes research and development projects in areas such as track/train dynamics, innovative freight car equipment, automated train inspection systems, communications and computer systems, and environmental studies. In 2000, research and development expenditures totaled approximately $1 million. The objective of these expenditures is to assist in increasing efficiencies and improving service.

Environmental Protection

CPR's environmental protection policy commits it to meeting or exceeding government environmental requirements applicable to its operations and activities. The Company complies with legislation and regulations relating to waste and wastewater management, contaminated sites, spill reporting and emergency response, environmental assessment, storage tanks, and other environmental matters.

Since the early 1990s, CPR has had a comprehensive environmental management program. It has implemented and trained its employees in environmental protection policies and procedures, and it has improved its environmental infrastructure by investing heavily in capital programs that upgrade diesel fuel storage and dispensing areas, wastewater treatment plants, and waste storage areas. CPR also has procedures in place to ensure it minimizes the impact of its operations on ecologically sensitive areas such as fish habitats and national parks. It continues to focus on preventing spills and other incidents, but in the event of an incident, spill kits are strategically located across Canada and the U.S. In addition, CPR's emergency preparedness and response plans are regularly updated and tested to ensure rapid and effective responses.

In 1995, after several years of conducting environmental investigations at various sites across Canada and the U.S., the Company completed a comprehensive evaluation of the environmental liabilities associated with its properties. Sites were classified according to their known environmental condition, historic usage and level of railway activity. Based on this study, the Company recorded a provision of $144 million, before tax, at December 31, 1995, to cover anticipated expenditures on environmental remediation programs to 2005. Environmental liability needs were re-evaluated in 1999, resulting in increased expected remediation costs of $50 million, before tax, and the entire provision was extended to cover the program until 2010.

CPR plays a leading role as a partner in Responsible Care®, a chemical industry initiative aimed at fostering continuous improvements to health, safety and environmental performance in the transportation, handling, use, and disposal of chemicals. CPR has built on existing health, safety and environmental programs in integrating Responsible Care® into its operations. During 2000, as part of its commitment to the initiative, CPR successfully conducted numerous emergency preparedness workshops and four full-scale mock disasters. It also teamed up with other transport companies to develop a set of verification protocols for Responsible Care® membership and partnership in the transportation industry. CPR plans to go through the verification process in 2001.

Other significant CPR Responsible Care® initiatives in 2001 will include increasing communication with employees, customers and communities, conducting Transportation Community Awareness and Emergency Response Program workshops, and developing a web page.

The Company incurred cash expenditures of approximately $32 million in 2000 relating to environmental management. Of this amount, $13 million was directly expensed in 2000, $3 million was related to capital program upgrades and $16 million was spent under the remediation program.

Litigation

The Company is, from time to time, involved in litigation incidental to the conduct of its business. Management believes that it has made adequate provisions in its financial statements with respect to such litigation.

Asset-Backed Securities Outstanding

In September 1999, CPR issued $235,000,000 of 6.91% secured equipment notes, which are due October 1, 2024 (the "Secured Notes"). These debt obligations are full recourse obligations of the Company secured by a first charge on the 101 General Electric AC 4400CW locomotives (the "Equipment") which the Company purchased new and placed into service between October 1997 and February 1998. At the present time, the Company has no reason to believe that there are any events, covenants, standards, or preconditions that could reasonably be expected to affect the timing or amount of any payments or distributions under the Secured Notes. Since the issuance of the Secured Notes, the Company has continued to own and operate the Equipment as part of its normal operations as a railway. Revenues generated from the use of the Equipment form part of the Company's general operating income, which is then used to meet the Company's various obligations including, without limitation, the payment of principal and interest on the Secured Notes. In accordance with the repayment schedule for the Secured Notes, the Company has paid $16,215,000 in interest payments since the date of issuance. The Secured Notes, by their terms of issuance, have no principal amounts repayable in the first five years following their issuance. At this time, CPR is not aware of any event that has led to or, with the passage of time, could lead to the accelerated payment of principal, interest or capital of the Secured Notes.

Recent Developments

CPL recently announced its intention to divide CPL into five separate, publicly-traded companies (see Item 2, page 2). As part of the reorganization, CPL intends to capitalize each company with amounts of debt and equity that are appropriate for its growth prospects and the industry in which it operates. CPR will continue to conduct business in the normal manner, honouring all existing business relationships, commitments and obligations.

ITEM 5 SELECTED CONSOLIDATED FINANCIAL INFORMATION

The table below provides selected consolidated financial data for the years ended December 31, 2000, 1999, and 1998.

	Canadian Pacific Railway Company		
	Year Ended December 31		
	2000	1999	1998
	($ in millions, except as indicated)		
Operating revenues	3,655.1	3,496.4	3,516.5
Operating income			
as reported	845.2	261.7	736.0
excluding unusual items(1)	845.2	762.3	720.7
Other charges	(23.1)	(26.2)	(18.4)
Interest expense, net	(167.0)	(136.6)	(118.5)
Income before taxes	655.1	98.9	599.1
Income tax expense	(122.8)	(32.0)	(236.7)
Net income	532.3	66.9	362.4
Balance Sheet Data:			
Total assets(2)	8,808	8,369	7,889
Long-term debt (excl. current portion)	2,276	1,646	1,489
Shareholder's equity	3,563	3,138	3,234
Operating Data:			
Operating ratio (%)			
as reported	76.9	92.5	79.1
excluding unusual items(1)	76.9	78.2	79.2
Number of active employees at end of period	17,519	18,150	19,323
Total carloads (thousands)	2,395	2,330	2,245
Gross ton-miles (billions)	210.7	192.2	182.6

(1) Excluding unusual items as follows: for 1999, $472.2 million in restructuring charges and a one-time charge of $28.4 million mostly relating to Year 2000 remediation work; for 1998, a gain of $44.4 million on the sale of CMO offset by $29.1 million in charges related to Year 2000 remediation work.

(2) Prior years' comparatives have been restated to conform to presentation adopted in the current year.

ITEM 5 SELECTED CONSOLIDATED FINANCIAL INFORMATION

Dividend Policy

There are no restrictions on the ability of the Company to pay dividends, other than applicable statutory limitations. The declaration of future dividends is subject to the discretion of the Board of Directors after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time.

ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the section entitled "Management's Discussion and Analysis" set out in pages **25** to **30** of the Company's 2000 Annual Report, which is incorporated by reference in this Annual Information Form.

ITEM 7 MARKET FOR SECURITIES

The Company's Sterling and U.S. Dollar Perpetual 4% Consolidated Debenture Stock are listed and posted for trading on the London and New York stock exchanges, respectively.

ITEM 8 DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the directors and officers of the Company, their positions and principal occupations within the past five years, the period during which each director has served as director of the Company, and the date on which each director's term of office expires.

Directors

Name and Municipality of Residence	Position Held and Principal Occupation within the Preceding Five Years *	Date on which Term of Office Expires (Director since)
S.E. Bachand (2) (5) Ponte Vedra Beach, Florida	Former President and Chief Executive Officer, Canadian Tire Corporation, Limited (hardgoods retailer specializing in automotive, sports and leisure, and home products)	2001 (1997)
D. Cohen, C.M., LL.D. (2) (4) (5) Ayers Cliff, Quebec	President, Dian Cohen Productions Ltd. (private economic communications consulting firm)	2003 (1990)
A.A. MacNaughton (1) (3) (6) Danville, California	President, Genstar Investment Corporation (private investment company)	2002 (1985)
J.D. McNeil (1) (2) (3) (6) Toronto, Ontario	Chairman of the Executive Committee and a Director, Sun Life Assurance Company of Canada and Sun Life Financial Services Company of Canada Inc. (financial services companies)	2002 (1992)
J.E. Newall, O.C. (1) (3) (6) Calgary, Alberta	Chairman, NOVA Chemicals Corporation (chemicals company producing styrenics and olefins and polyolefin products)	2003 (1997)
D.P. O'Brien (1) (6) Calgary, Alberta	Chairman, President and Chief Executive Officer, Canadian Pacific Limited (diversified operating company – energy, transportation and hotels); Chairman of the Board, Canadian Pacific Railway Company	2001 (1995)
M.E.J. Phelps (2) (5) West Vancouver, British Columbia	Chairman and Chief Executive Officer, Westcoast Energy Inc. (integrated energy company)	2001 (1998)

ITEM 8 DIRECTORS AND OFFICERS

Name and Municipality of Residence	Position Held and Principal Occupation within the Preceding Five Years *	Date on which Term of Office Expires (Director since)
R. Phillips, O.C. (2) (4) Regina, Saskatchewan	President and Chief Executive Officer, IPSCO Inc. (steel manufacturing company)	2002 (1999)
R.D. Southern (5) C.M., C.B.E., LL.D. Calgary, Alberta	Co-Chairman and Chief Executive Officer, ATCO Ltd. and Canadian Utilities Limited (electrical and gas utilities, technical logistics, and workforce housing)	2001 (1985)
A.R. Taylor, O.C. (1) (3) (5) (6) Toronto, Ontario	Retired Chairman and Chief Executive Officer, Royal Bank of Canada (financial institution)	2002 (1986)
C. Taylor (4) Vancouver, British Columbia	Former Chair, Canada Ports Corporation and Vancouver Port Corporation (port authorities)	2003 (1999)
The Rt. Hon., The Viscount Weir (4) London, England	Chairman, Balfour Beatty, plc (formerly BICC plc) (international construction group)	2002 (1989)

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Corporate Governance and Nominating Committee
(4) Member of the Environmental and Safety Committee
(5) Member of the Management Resources and Compensation Committee
(6) Member of the Pension Trust Fund Committee

* S.E. Bachand was President and Chief Executive Officer of Canadian Tire Corporation, Limited from March 1993 to August 2000. J.D. McNeil was Chairman and Chief Executive Officer of Sun Life Assurance Company of Canada from May 1988 to April 1998 and Chairman until April 1999. J.E. Newall was Vice-Chairman and Chief Executive Officer of NOVA Corporation from August 1991 to July 1998. D.P. O'Brien was President and Chief Operating Officer of Canadian Pacific Limited from February 1995 until May 1996. R.D. Southern was Chairman and Chief Executive Officer of ATCO Limited and Canadian Utilities Limited from 1994 until January 1, 2000. C. Taylor was Chair of the Canada Ports Corporation and the Vancouver Port Corporation from 1997 to 1999. The Rt. Hon., The Viscount Weir was Chairman, The Weir Group, plc from 1972 to January 1999.

ITEM 8 DIRECTORS AND OFFICERS

Officers of the Company

Name and Municipality of Residence	Position Held	Principal Occupation within the Preceding Five Years
D.P. O'Brien Calgary, Alberta	Chairman of the Board	Chairman, President and Chief Executive Officer, Canadian Pacific Limited; Chairman of the Board, Canadian Pacific Railway Company
R.J. Ritchie Calgary, Alberta	President and Chief Executive Officer	President and Chief Executive Officer, CP Rail System
E.V. Dodge Calgary, Alberta	Executive Vice-President, Operations	Executive Vice-President, Operations, CP Rail System; President and Chief Executive Officer, Soo Line Railroad Company
J.H. MacDiarmid Calgary, Alberta	Executive Vice-President, Commercial	Executive Vice-President, Commercial, CP Rail System
M.T. Waites Springbank, Alberta	Executive Vice-President and Chief Financial Officer	Vice-President and Comptroller, Canadian Pacific Railway Company; Vice-President, Finance, Chevron Canada Resources; General Manager, Strategic Planning, Chevron Canada Resources
L.M. Allen Calgary, Alberta	Vice-President, Intermodal and Automotive Group	Vice-President, Intermodal and Automotive Group, CP Rail System; Assistant Vice-President, Marketing and Sales, CP Rail System
L. Armano Calgary, Alberta	Vice-President, Supply Services	Assistant Vice-President, Purchases and Materials, Canadian Pacific Railway Company; Assistant Vice-President, Purchases and Materials, CP Rail System

ITEM 8 DIRECTORS AND OFFICERS

Name and Municipality of Residence	Position Held	Principal Occupation within the Preceding Five Years
W.P. Bell Calgary, Alberta	Vice-President, E-Business	Vice-President, Logistics Systems, Canadian Pacific Railway Company; Vice-President, Transportation Services, CP Rail System; General Manager, Heavy Haul, CP Rail System;
A.H. Borak Calgary, Alberta	Vice-President, Information Services	Director, Information Services, Canadian Pacific Railway Company; Director, Information Systems, Exxon Company, U.S.A.
P. Clark Calgary, Alberta	Vice-President, Communications and Public Affairs	Vice-President, Corporate Communications, Westcoast Energy Inc.; Vice-President, Public Affairs, NOVA Corporation; Director, Public Affairs, NOVA Corporation
J.J. Coté Beaconsfield, Quebec	President, Eastern Network	President and Chief Executive Officer, St. Lawrence & Hudson Railway Company Limited; Vice-President, Eastern Operating Unit, CP Rail System
N.R. Foot Calgary, Alberta	Vice-President, Engineering & Mechanical Services	Vice-President, Mechanical Services and Chief Mechanical Officer, Canadian Pacific Railway Company; Vice-President, Mechanical Services, and Chief Mechanical Officer, CP Rail System; Vice-President and Chief Operating Officer, Soo Line Railroad Company
W.D. Gantous Calgary, Alberta	Vice-President, Corporate Planning and Finance	Assistant Vice-President, Corporate Planning and Finance, Canadian Pacific Railway Company; Director, Finance and Business Analysis, Canadian Pacific Limited
B. Grassby Calgary, Alberta	Vice-President and Comptroller	Vice-President, Finance and Secretary, Controller and Assistant Secretary, CAE Electronics Ltd.

ITEM 8 DIRECTORS AND OFFICERS

Name and Municipality of Residence	Position Held	Principal Occupation within the Preceding Five Years
F.J. Green Calgary, Alberta	Vice-President, Marketing	Vice-President, Resource Products Group, Canadian Pacific Railway Company; Vice-President, Resource Products Group, CP Rail System; Vice-President, Intermodal Freight Systems, CP Rail System
R.B. Hodgins Calgary, Alberta	Vice-President and Treasurer	Vice-President and Treasurer, Canadian Pacific Limited; Senior Vice-President and Chief Financial Officer, Vice-President and Chief Financial Officer, TransCanada PipeLines Limited
P.A. Pender Calgary, Alberta	Vice-President, Transportation/Field Operations	Vice-President, Field Operations, CP Rail System; Vice-President and Chief Operating Officer, Soo Line Railroad Company
R.A. Sallee Calgary, Alberta	Vice-President, Agri-Products & Coal and Resource Products Group	Vice-President, Agri-Products and Coal Group, Canadian Pacific Railway Company; Vice-President, Agri-Products and Coal Group, CP Rail System; Vice-President, Marketing and Sales, Heavy Haul Systems, CP Rail System
R.A. Shields Calgary, Alberta	Vice-President, Human Resources and Industrial Relations	Vice-President, Human Resources, CP Rail System
M.M. Szel, Q.C. Calgary, Alberta	Vice-President, Strategy and Law, Corporate Secretary	Vice-President, Legal Services and Corporate Secretary, Canadian Pacific Railway Company; Vice-President, Legal Services, CP Rail System
J.R. Walsh Calgary, Alberta	Vice-President, Real Estate	Vice-President, Land, Marathon Developments Inc.; General Manager-Land, Risk Management, Insurance and Property Taxation, Marathon Realty Company Limited

ITEM 8 DIRECTORS AND OFFICERS

Name and Municipality of Residence	Position Held	Principal Occupation within the Preceding Five Years
B.M. Winter Calgary, Alberta	Vice-President, Customer Service Team	Assistant Vice-President, Customer Service Group, Canadian Pacific Railway Company; Assistant Vice-President, Customer Service Group, CP Rail System
G.A. Feigel Calgary, Alberta	Assistant Secretary	Assistant Secretary, Canadian Pacific Limited
R.V. Horte Calgary, Alberta	Assistant Secretary	Solicitor, CP Rail System; Manager, Government and Industry Affairs, CP Rail System
J.C. Paré Montreal, Quebec	Assistant Secretary	Senior Counsel and Director, Corporate Services, Eastern Network, Canadian Pacific Railway Company; Senior Solicitor, Canadian Pacific Railway Company; Solicitor, Canadian Pacific Railway Company; Solicitor, CP Rail System
A.T. Love Calgary, Alberta	Assistant Secretary	Vice-President Law, General Counsel and Corporate Secretary, Canadian Pacific Limited; Vice-President, Administrative Services and Special Projects, Corporate Secretary and Associate General Counsel, TransCanada PipeLines Limited
B.R. McDiarmid Calgary, Alberta	Assistant Treasurer	Assistant Treasurer, Canadian Pacific Limited
J.W. Robson Calgary, Alberta	Assistant Treasurer	Assistant Treasurer, Canadian Pacific Limited

ITEM 8 DIRECTORS AND OFFICERS

Shareholdings of Directors and Officers

The directors and senior officers, as a group, do not beneficially own, directly or indirectly, or exercise control or direction over any class of voting securities of the Company or its subsidiaries.

ITEM 9 ADDITIONAL INFORMATION

When the securities of the Company are in the course of a distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities, copies of the following documents may be obtained upon request from the Vice-President, Strategy and Law, Corporate Secretary, Canadian Pacific Railway Company, Suite 500, 401-9th Avenue SW, Calgary, Alberta, T2P 4Z4.

(i) this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form,

(ii) the Company's comparative financial statements for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditor and a copy of the most recent interim financial statements of the Company that have been filed, if any, for any period after the end of its most recently completed financial year,

(iii) the Company's annual filing prepared in lieu of an information circular, and

(iv) any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus that is not required to be provided under paragraphs (i), (ii) or (iii).

At any other time, copies of any other documents referred to in paragraphs (i), (ii) and (iii) above may be obtained upon request from the Vice-President, Strategy and Law, Corporate Secretary. A person who is not a security holder of the Company may be required to pay a reasonable charge for such copies.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's most recent annual filing prepared in lieu of an information circular to shareholders. Additional information is provided in the Company's comparative financial statements for its most recently completed financial year.

Investor Fact Book

CANADIAN PACIFIC RAILWAY COMPANY April 2001

This Investor Fact Book should be read in conjunction with the 2000 annual report and annual information form dated March 12, 2001, of Canadian Pacific Railway Company (CPR or the Company). Unless otherwise stated, all figures are quoted in Canadian dollars and are reported under Canadian Generally Accepted Accounting Principles (GAAP). For U.S. investors, please see note 23 of Canadian Pacific Railway Company's 2000 annual report notes to the consolidated financial statements for a reconciliation of Canadian and United States GAAP.

FORWARD-LOOKING INFORMATION

This Fact Book contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (United States), relating but not limited to CPR's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes.

Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections, and other forms of forward-looking information will not be achieved by CPR. CPR undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

By its nature, CPR's forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to the following factors: changes in business strategies; general global economic and business conditions; the availability and price of energy commodities; the effects of competition and pricing pressures; industry overcapacity; shifts in market demands; changes in laws and regulations, including environmental and regulatory laws; potential increases in maintenance and operating costs; uncertainties of litigation; labour disputes, timing of completion of capital or maintenance projects; currency and interest rate fluctuations; various events which could disrupt operations, including severe weather conditions; and technological changes.

Initial results in 2001 indicate that the slowdown in the U.S. economy is having a negative impact on CPR's revenues, although the magnitude and length of such impact is unknown at the present time. CPR is implementing policies to control costs as well as focusing on revenue initiatives and growth opportunities in an effort to minimize the effect an economic slowdown would have on CPR's results.

Fuel prices also remain an uncertainty in 2001. Although there are indications that oil prices will stabilize or decline, this will depend on many factors, including worldwide oil demand, international politics, and the ability of major oil producing countries to reach consensus on production quotas and to comply with these quotas.

In the competitive environment, a moratorium on the U.S. rail mergers imposed in 2000 by the Surface Transportation Board is scheduled to expire in 2001, and there is ongoing discussion in the U.S. on a variety of railway regulatory issues. Any merger activity among North American railways following the moratorium might affect CPR's competitive position; however, detrimental effects may be mitigated by CPR's increasing participation in operational and commercial alliances.

In Canada, the ongoing review of the Canada Transportation Act may result in amendments that could affect the competitive capability and commercial strategies of Canadian railways. The review will include consideration of various forms of open access. While it is not possible to predict the outcome of the review, an interim report issued at year-end expressly recognized that to compete internationally, Canada requires a viable, sustainable rail industry. It is hoped that this philosophy will serve as a framework for any future changes in the law.

An announcement by Canadian Pacific Limited (CPL) on February 13, 2001 of its intention to divide CPL into five separate, publicly-traded companies, will result in CPR becoming an independent, publicly traded company later this year, assuming that shareholder and other necessary approvals are obtained and that market conditions remain stable. As part of the reorganization, CPL intends to capitalize each company with amounts of debt and equity that are appropriate for its growth prospects and the industry in which it operates. CPR will continue to conduct business in the normal manner, honouring all existing business relationships, commitments and obligations.

CONTENTS

FIVE-YEAR SUMMARY

	2000	1999	1998	1997	1996
INCOME ITEMS (EXCLUDING UNUSUAL ITEMS)					
(millions, unless otherwise indicated)					
Revenues	$ 3,655	$ 3,496	$ 3,472	$ 3,583	$ 3,543
Operating income*	$ 845	$ 762	$ 721	$ 668	$ 588
Operating ratio* (%)	76.9	78.2	79.2	81.4	83.4
OTHER FINANCIAL HIGHLIGHTS					
Return on capital employed* + (%)	14.9	14.5	15.6	15.2	14.8
Cash from railway operating activities	$ 677	$ 673	$ 680	$ 738	$ 260
Capital program	$ 571	$ 843	$ 1,094	$ 858	$ 546

+ EBIT divided by average net debt plus equity (railway)
* Excluding unusual items

	2000	1999	1998	1997	1996
OPERATIONS AND PRODUCTIVITY					
Gross ton-miles (GTMs) (millions)	210,719	192,206	182,579	186,464	184,047
Freight revenue per revenue ton-mile (RTM) (cents)	3.13	3.31	3.45	3.41	3.42
Number of active employees at year-end	17,519	18,150	19,323	19,514	20,540
Miles of road operated at year-end	13,959	14,358	14,456	15,097	17,399
GTMs per available horsepower per day	200	174	153	157	166
GTMs per mile of road operated (thousands)	15,096	13,387	12,630	12,351	10,578
GTMs per average active employee (thousands)	11,729	10,031	9,196	9,254	8,470
Average train weights (tons)	5,386	5,102	4,867	5,059	4,901
U.S. gallons of fuel per thousand GTMs	1.30	1.38	1.50	1.56	1.57
Personal injuries per 200,000 employee hours	3.9	4.4	4.5	5.8	7.2
Train accidents per million train miles	2.0	2.1	2.2	3.4	5.3

(additional financial information found in Appendix)

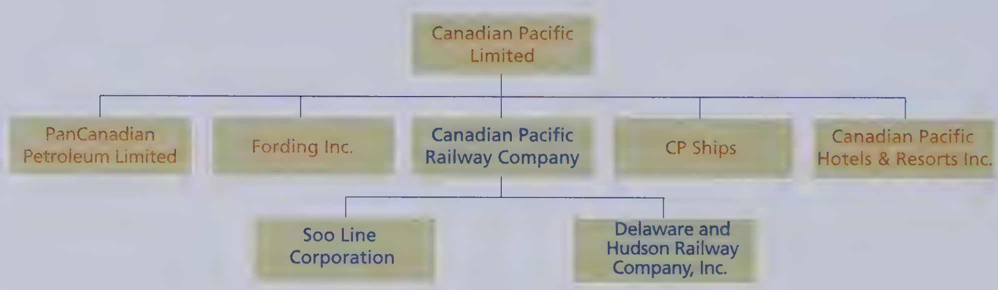
CORPORATE

Corporate structure

→ Canadian Pacific Railway Company (the Company or CPR) is a wholly-owned subsidiary of Canadian Pacific Limited (CPL), a diversified operating company active in the transportation, energy and hotel industries. CPL's shares are listed on the Toronto and New York Stock Exchanges under the symbol CP.

– CPR was incorporated by Letters Patent dated February 16, 1881, pursuant to an act of the Parliament of Canada. The Company was continued under the Canada Business Corporations Act (CBCA) on May 2, 1984, and reorganized under the CBCA by Certificate of Arrangement dated July 4, 1996. By Certificate of Amalgamation dated January 1, 2001, the Company amalgamated with its wholly-owned subsidiary, St. Lawrence & Hudson Railway Company Limited (StL&H).

– On February 13, 2001, CPL announced that it intends to divide itself and its holdings into five separate, publicly-traded companies. Upon completion of the proposed reorganization by Plan of Arrangement, common shareholders of CPL will have shares in five separate public companies, one of which will be CPR. While this represents CPL's current intention, it could be modified in response to market conditions as the process unfolds. CPL expects to complete the transaction later in the fall of 2001.



- The Company wholly owns and operates a fully integrated Class 1 transcontinental railway in Canada and in the U.S. Midwest and Northeast. Certain of its businesses are operated through two wholly-owned subsidiaries: Soo Line Corporation (Soo Line), a Class 1 railway operating in the U.S. Midwest; and Delaware and Hudson Railway Company, Inc. (D&H), which operates via owned track and haulage and trackage rights agreements between eastern Canada and major U.S. Northeast markets including New York, New York; Philadelphia, Pennsylvania; and Washington, D.C.

- The Company's registered office, executive offices and principal place of business are located at Suite 500, 401 – 9th Avenue SW, Calgary, Alberta, Canada T2P 4Z4.

- The Company is a "reporting issuer" under Canadian securities legislation. The Company has outstanding debt issues denominated in Canadian and U.S. dollars and U.K. pounds sterling. Although the Company's equipment secured debt is rated higher, the Company's (unsecured) debt was rated at December 31, 2000, BBB by Dominion Bond Rating Service Limited, BBB+ by Standard & Poor's and Baa2 by Moody's Investor Service. CPR intends to maintain a BBB rating (investment grade) after the spin-off.

The business

→ CPR provides rail freight transportation over a railway network of approximately 14,000 route miles serving the principal centres of Canada, as well as the U.S. Midwest and Northeast.

The Company's business is based on funnelling traffic from strategic network feeders and connectors onto a 4,700-mile, high-density, high-quality mainline network. The network offers the shortest rail distance for bulk products transported from most of the main production areas in western Canada to the Port of Vancouver in British Columbia, and to Toronto, Ontario, in Canada's industrial heartland, via Thunder Bay, Ontario.

In the east, the Company provides a key link between the Port of Montreal and the U.S. Midwest. In conjunction with international container shipping lines, CPR is an integral part of the most direct route for transporting container traffic between Europe and the U.S. Midwest. In addition to this market, CPR serves the major population centres of Montreal, Quebec; Toronto; Newark, New Jersey; New York; Buffalo, New York; Philadelphia and Washington, D.C. Access to the U.S. Northeast is primarily via owned trackage and operating rights of the D&H.

→ The Company's freight traffic is organized into three business groups: the Agri-products and Coal Group, the Resource Products Group and the Intermodal and Automotive Group. In 2000, approximately 45% of the Company's revenue was derived from the movement of agri-products and coal and 23% from resource products. The remaining 32% was related to the movement of intermodal and automotive freight. The Company serves a wide range of customers, with no single customer accounting for more than 10% of total freight revenue.

ASSETS

The network

→ CPR's 14,000-mile network extends in Canada from the Port of Vancouver in the west to the Port of Montreal in the east, and to the industrial centres of Chicago, Illinois, Newark, New York, Buffalo, Philadelphia, and Washington, D.C., in the United States.

→ The Company operates approximately 6,800 route miles in western Canada, 2,500 miles in eastern Canada, 3,200 miles in the U.S. Midwest, and 1,500 miles in the U.S. Northeast.

→ The Company owns 9,650 miles of road and another 4,350 miles are jointly owned, leased or operated under trackage rights.

→ 100% of CPR's rail network is standard gauge. Virtually all the mainline network and primary feeder trackage is 100-pound rail or heavier, suitable for movements of 286,000-pound cars. Continuous welded rail is used on over 96% of the Company's network. At December 31, 2000, approximately 3,550 miles of the mainline had centralized traffic control and 750 miles had automatic block signals.

→ The network is composed of four primary corridors: the Western Corridor, the Southern Corridor, the Central/Eastern Corridor, and the Montreal – Chicago Corridor supported by collector and primary feeder lines.

THE WESTERN CORRIDOR

- CPR's Western Corridor links Vancouver, British Columbia, and the Company's major western hub in Moose Jaw, Saskatchewan, with service through Calgary. This corridor provides the shortest rail route for bulk products transported from most of the key production areas in western Canada to the Port of Vancouver, and is part of a service competitive route between Vancouver and Chicago.
- Traffic carried on the Western Corridor is export traffic – grain, coal, chemical and forest products destined for Asian markets; and import traffic – consumer products and intermodal containers from Asian markets destined for central and eastern North American markets. Substantial domestic and cross-border traffic is also carried.
- The Western Corridor is part of the Company's upgraded Vancouver to Chicago segment and is a strong competitor in the $1.5-billion-a-year U.S. Midwest market for trans-Pacific container traffic.

- The Western Corridor connects with Union Pacific Railroad (UP) at Kingsgate, British Columbia, with Burlington Northern Santa Fe Corporation (BNSF) at Huntingdon, British Columbia, Coutts, Alberta, and Vancouver and with BC Rail at Vancouver.
- The vast majority of the bulk trains operating in the Western Corridor employ technology (Locotrol) to enable efficient mid-train positioning of locomotive units and utilize the railway's newest high-horsepower, high-adhesion alternating current (AC) locomotives.

WESTERN CORRIDOR – MAINLINE ONLY (2000)	
Track miles	1,073
Weight of rail (lb/yd)	686 miles @ 136lb 27 miles @ 132lb 360 miles @ 115lb
Controlling grade (%) westbound	1.1%
Controlling grade (%) eastbound	2.2%
Continuous weld (CWR) vs bolted	all CWR
Miles of curvature over 6°	80
Average number of trains per day (busiest point)	29
Average train speed (miles per hour)	26.4
Average density (1,000 GTMs/mile)	61,586
Primary traffic categories	grain, coal, chemicals, consumer products, intermodal and forest products

THE SOUTHERN CORRIDOR

- CPR, via its Southern Corridor, offers a direct rail route between western Canada and the critical Chicago interchange. The corridor starts at Moose Jaw, and extends to the Soo Line via a direct routing through Minneapolis, Minnesota, and Milwaukee, Wisconsin, south to Chicago.
- Primary traffic categories on the Southern Corridor include Canadian fertilizers, chemicals, grain, import/export containers and U.S. agricultural products.

- CPR's Southern Corridor connects with all major carriers at Chicago, and with BNSF and UP at St. Paul, Minnesota, and several other interchange points in the territory.

SOUTHERN CORRIDOR – MAINLINE ONLY (2000)	
Track miles	1,116
Weight of rail (lb/yd)	183 miles @ 136lb 393 miles @ 132lb 400 miles @ 115lb 140 miles @ 100lb
Controlling grade (%) westbound/north	1.0%
Controlling grade (%) eastbound/south	0.7%
Continuous weld (CWR) vs bolted	976 miles CWR 140 miles bolted
Miles of curvature over 6°	0
Average number of trains per day (busiest point)	19
Average train speed (miles per hour)	26.1
Average density (1,000 GTMs/mile)	31,389
Primary traffic categories	Canadian fertilizers, chemicals, grain, import/export containers, U.S. agricultural products

THE CENTRAL/EASTERN CORRIDOR

- CPR's Central/Eastern Corridor extends from Moose Jaw through Winnipeg, Manitoba, to Toronto. The corridor serves the Port of Thunder Bay, which is Canada's primary eastern bulk terminal on the Great Lakes. An operating rights agreement with the Ottawa Valley Railway provides a route from North Bay to Smiths Falls, in Ontario.
- Primary traffic categories on the Central/Eastern Corridor include Canadian grain, Canadian coal, industrial products and automotive and intermodal.

- This corridor offers shippers direct rail service from Toronto to Calgary and Vancouver via the Western Corridor – a key element of the Company's transcontinental intermodal and modal competitive services.
- CPR's Central/Eastern Corridor connects with BNSF at Emerson, Manitoba, and with Wisconsin Central (WC) at Sault Ste. Marie, Ontario.

CENTRAL/EASTERN CORRIDOR – MAINLINE ONLY (2000)	
Track miles	1,625
Weight of rail (lb/yd)	594 miles @ 136lb 1,031 miles @ 115lb
Controlling grade (%) westbound	1.2%
Controlling grade (%) eastbound	1.1%
Continuous weld (CWR) vs bolted	all CWR
Miles of curvature over 6°	12
Average number of trains per day (busiest point)	23
Average train speed (miles per hour)	32.7
Average density (1,000 GTMs/mile)	32,667
Primary traffic categories	Canadian grain, Canadian coal, industrial products automotive and intermodal

THE MONTREAL – CHICAGO CORRIDOR

→ CPR's Montreal – Chicago Corridor is part of the most direct route from Europe to the U.S. Midwest. A key link between the Port of Montreal and Chicago, CPR handled over 80% of container traffic through the port in 2000.

→ Primary traffic categories on the Montreal – Chicago Corridor are intermodal, automotive, forest and industrial products and consumer products.

→ The Montreal to Windsor segment is owned outright, while the Detroit to Chicago segment is secured through a haulage contract with CSX Transportation (CSXT).

→ In addition to the connection with all major carriers at Chicago, CPR connects with Norfolk Southern Corporation (NS) and with CSXT at Detroit, Michigan; Buffalo, New York; and at Niagara Falls, Ontario.

MONTREAL – CHICAGO CORRIDOR MAINLINE ONLY (2000)

Track miles	560
Weight of rail (lb/yd)	125 miles @ 136lb 160 miles @ 132lb 275 miles @ 115lb
Controlling grade (%) westbound	1.0%
Controlling grade (%) eastbound	1.0%
Continuous weld (CWR) vs bolted	all CWR
Miles of curvature over 6°	0
Average number of trains per day (busiest point)	20
Average train speed (miles per hour)	26.1
Average density (1,000 GTMs/mile)	25,125
Primary traffic categories	intermodal, automotive, forest and industrial products and consumer products

COLLECTORS AND PRIMARY FEEDERS

CPR maintains collector and primary feeder trackage as part of its 14,000-mile network. These link the mainline network to major sources of railway traffic and provide direct connections to interchanging railways.

Principal among the collectors and primary feeders are:

- The D&H: links Montreal and Toronto to the U.S. Northeast including the major centres of New York, Newark, Buffalo, Philadelphia and Washington, D.C.
- The Coal Route: links the southeastern British Columbia coal deposits to the Western Corridor and to the Roberts Bank terminal at the Port of Vancouver.

- The Calgary – Edmonton Route: provides competitive service for intermodal and petrochemical customers.
- The U.S. Export Potash Route: connects key fertilizer business in Saskatchewan with the U.S. Midwest market and the Ports of Vancouver and Portland, Oregon.
- The UP Connection: connects CPR and UP at Kingsgate, British Columbia, and provides a direct connection to the U.S. West Coast, and Southwest, via the UP for commodities such as potash, fertilizers, forest products and industrial products.
- The Alberta Connection: connects CPR and BNSF at Coutts, Alberta, and provides a link to shippers on the BNSF system.

ROUTE MILES (AT DECEMBER 31, 2000, EXCLUDING DOUBLE TRACK)

Mainline Corridors	
Western	1,073
Southern	1,116
Central/Eastern	1,625
Montreal – Chicago*	910
Subtotal	4,724
Collectors and Primary Feeders	
D&H	1,502
Coal Route**	290
Calgary – Edmonton	190
U.S. Export Potash Route**	857
UP Connection	63
Alberta Connection	190
Other	6,143
Total	13,959

* includes haulage contract in Detroit to Chicago segment

** to connection with mainline

Motive power

→ At December 31, 2000, the Company owned or leased long-term a fleet of 1,565 locomotives.

	OWNED & LEASED LONG-TERM
Diesel locomotives	
Road freight (≥3,000 HP)	1,015
Road switcher	271
Yard switcher	279
Total	1,565

ROAD FREIGHT LOCOMOTIVE FLEET PROFILE

CLASS	BUILDER	HP	UNITS	AVG. AGE
GP40	GM	3,000	17	34
GP40 – 2	GM	3,000	14	28
SD40	GM	3,000	44	33
SD40 – 1	GM	3,000	5	30
SD40 – 2	GM	3,000	540	23
SD40 – 3	GM	3,000	2	23
SD60	GM	3,800	63	12
SD90MAC	GM	4,300	61	2
SD90MAC	GM	6,000	4	1
AC4400	GE	4,400	265	4
Total			1,015	16.6

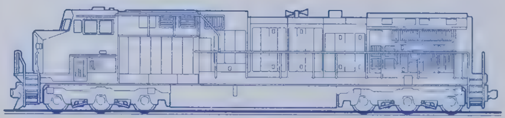
→ Since 1995, the Company has acquired 330 AC traction locomotives. These new AC locomotives have improved overall fuel efficiency, increased locomotive availability, made service more reliable, and enabled the Company to operate heavier, longer trains. Since 1996, more than 500 older locomotives have been removed from service, reducing maintenance expenses and providing opportunities to rationalize repair and maintenance facilities.

→ All new road freight locomotives and a portion of the existing road and yard fleet have been placed under Warranty Service Agreements with General Motors (GM) and General Electric (GE) which guarantee fleet availability and reliability levels.

In September, 2000, CPR and OmniTRAX signed a Warranty Service Agreement whereby OmniTRAX supervises service and maintenance in the field on approximately 175 locomotives, most low-horsepower units used to assemble trains in yards.

→ Approximately 75% of the total locomotive fleet are now covered by these agreements.

GE AC Locomotive



Freight car fleet

→ At December 31, 2000, the Company operated a fleet of 45,400 freight cars.

FREIGHT REVENUE RAILCAR FLEET
(OWNED AND LONG-TERM LEASED)

CAR TYPE	NUMBER OF CARS
Covered hopper	23,800
Boxcar	7,100
Intermodal flatcars	3,500
Auto – multilevel	3,400
Open top/coal gondola	2,800
Gondolas	2,400
Resource Product Group – flats	1,500
Autoboxes	900
Total	45,400

→ In 1998, the Company initiated a freight car modernization program to fully leverage its high-capacity track network and locomotive fleet. The program is expected to give the Company more productive and standardized equipment to facilitate heavier car loading, fewer car handlings, and improved load protection. As a result, the Company believes it will continue to realize benefits through a reduced asset base, operating efficiencies, and reduced labour and materials expenses.

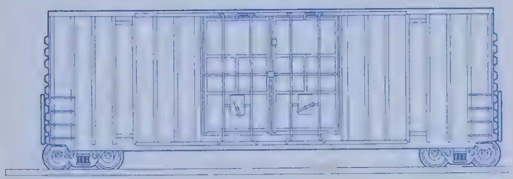
→ Since 1994, the Company has acquired approximately 7,000 of the highest-capacity grain hoppers cars in North America, yielding significant fleet productivity benefits.

The Company completed the first phase (625 cars) of the conversion of the Canadian export coal car fleet from steel to aluminum in 2000. The Company expects to complete the second phase (another 625 cars) of this conversion in the second quarter of 2001. The lighter, shorter aluminum coal cars carry a bigger payload generating a coal train capacity increase of 13%.

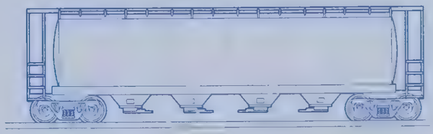
Over the next three years, the Company intends to continue converting steel coal cars to aluminum.

CPR has ordered 1,000 100-ton boxcars and plans to convert a further 400 70-ton boxcars to 100-ton capacity for the transport of forest products.

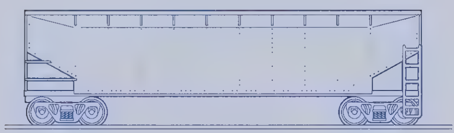
Boxcar



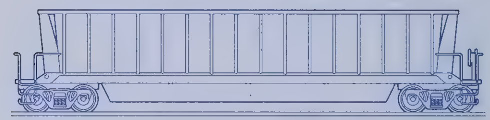
Covered hopper



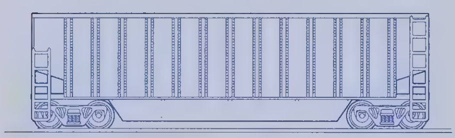
Covered gondola



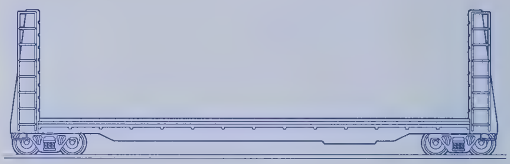
Open top/coal gondola



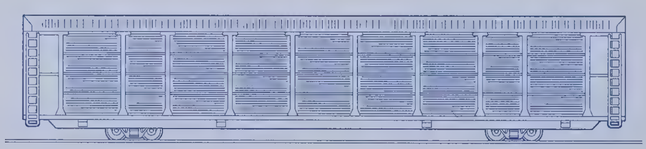
Coal car



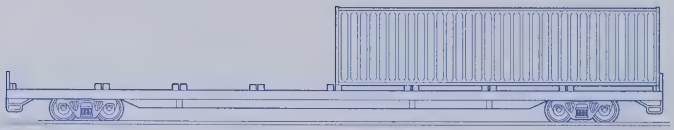
Resource Product Group – flats



Auto – multilevel



Intermodal – flats



Rail yards and intermodal terminals

At December 31, 2000, the Company operated a network of 23 intermodal terminals and nine major classification yards.

INTERMODAL TERMINALS	ANNUAL CAPACITY (HANDLINGS)
Vaughan (Toronto, Ontario)	240,000
Lachine (Montreal, Quebec)	205,000
Pitt Meadows (Vancouver, British Columbia)	150,000
Obico (Toronto, Ontario)	140,000
Schiller Park (Chicago, Illinois) (2 terminals)	130,000
Bensenville (Chicago, Illinois)	115,000
Calgary, Alberta	105,000
Winnipeg, Manitoba	105,000
Detroit, Michigan	95,000
Minneapolis, Minnesota	85,000
Edmonton, Alberta	80,000
Philadelphia, Pennsylvania	40,000
Regina, Saskatchewan	35,000
Oak Island (Newark, New Jersey)	30,000
Saskatoon, Saskatchewan	20,000
Albany, New York	20,000
Milwaukee, Wisconsin	18,000
Dryden, Ontario	12,000
Thunder Bay, Ontario	10,000
Taylor, Pennsylvania	10,000
Windsor, Ontario	9,000
Smiths Falls, Ontario	8,000

RAIL YARDS	DAILY CAPACITY (NUMBER OF CARS)
Chicago, Illinois	3,180
Toronto, Ontario	3,000
Thunder Bay, Ontario	2,679
Winnipeg, Manitoba	2,500
Vancouver, British Columbia	2,300
Calgary, Alberta	2,020
Montreal, Quebec	1,650
St. Paul, Minnesota	1,600
Moose Jaw, Saskatchewan	1,466

Maintenance shops

- Ogden Shops in Calgary is the Company's main rebuilding and heavy repair complex for locomotives and freight cars. The complex has 10 primary buildings on 158 acres. The shops perform major repairs and rebuilds on approximately 500 diesel locomotives and 3,300 freight cars each year.
- Satellite shops feed materials and supplies to both the main shop and other repair facilities across the system. These satellites include the traction motor, wheel, main generator and air brake shops.

  In addition, the Company has six locomotive repair and servicing facilities located at Port Coquitlam, British Columbia; Calgary (Alyth), Moose Jaw, Winnipeg, St. Paul, and Toronto. These facilities perform most repairs except for overhauls and other major work performed at Ogden Shops. Over the next year, the Company plans to transfer the management of four of these facilities to a Warranty Service Agreement provider(s).

  The Company has nine major freight car repair facilities. These are located at Vancouver, Calgary, Moose Jaw, Winnipeg, St. Paul, Thunder Bay, Chicago, Toronto and Montreal. In addition, smaller facilities across the system service and repair freight cars for specific customer needs.

- The Company's locomotive renewal program has facilitated the rationalization of repair and maintenance facilities. The Chicago locomotive shop has been closed and the Calgary shop (Ogden) has been downsized.
- In April, 2000, Progress Rail Services Corporation acquired a major portion of CPR's Weston maintenance and repair shop in Winnipeg. Under the agreement, Progress Rail is leasing and operating the metal fabrication, track work, and wheel shops along with associated material handling and warehousing.
- In January, 2001, the Company announced an agreement in principle with ALSTOM for the lease and operation of Ogden Shops. The agreement is expected to generate increased productivity and capacity utilization. A final agreement is expected to be reached in May, 2001.

OPERATIONS

Service Excellence

Service Excellence is the Company's initiative to renew virtually all its core operating computer applications. Service Excellence is developing and implementing customer-focused applications that are expected to facilitate the capture of customer orders for empty equipment, to produce shipment trip plans for all loaded and empty cars, and to enable operating personnel to proactively manage those loaded and empty cars from dock-to-dock. The key systems are:

DELTA optimally matches the supply of empty railcars with shippers' demands. Customer orders are taken 14 days in advance to enable a higher order fulfillment rate and to reduce the number of empty car miles,

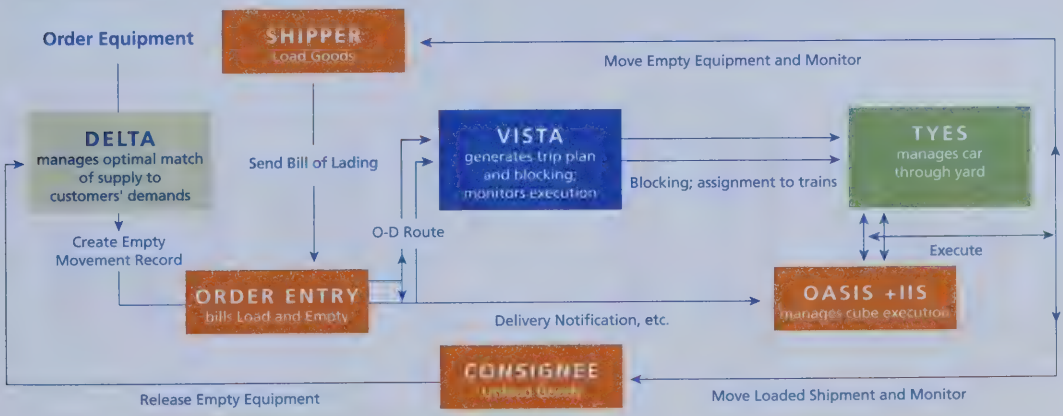
VISTA is the key to managing shipments. It produces trip plans for shipments, tracks them along the way and provides customers and shipping partners with estimated time of arrival. With VISTA, everyone at CPR – from customer service representatives to train operations planners and freight yard management teams – will understand how a shipment is to be handled, thus minimizing customer concerns about on-time deliveries.

TYES is a rail yard management system. It communicates the output from Order Entry and VISTA. TYES receives the trip plans for specific shipments and identifies the processes necessary to carry them out. It improves the functionality of the rail yards and monitors all connections necessary to complete the trip plans on time.

OASIS is a wireless computer application manages all inventory in intermodal terminals. OASIS facilitates loading of outbound trailers and containers to railcars and inbound trailers and containers to trucks. It enhances both terminal capacities and dock-to-dock service quality.

Order Entry has automated CPR's customer billing process and improved the revenue collection system. Instead of taking information from faxes and reworking it, Order Entry creates a waybill for the load when the customer initiates the order. This makes billings more accurate and timely.

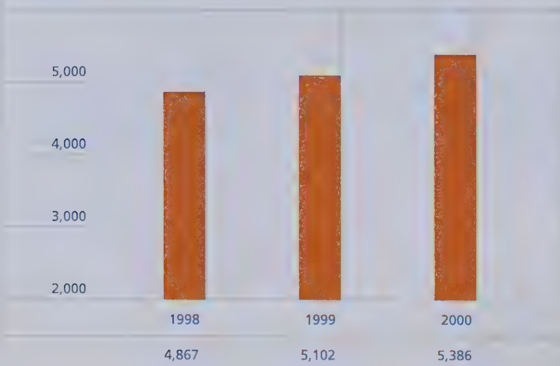
CORE OPERATING SYSTEMS TO MANAGE
SHIPMENTS DOCK-TO-DOCK



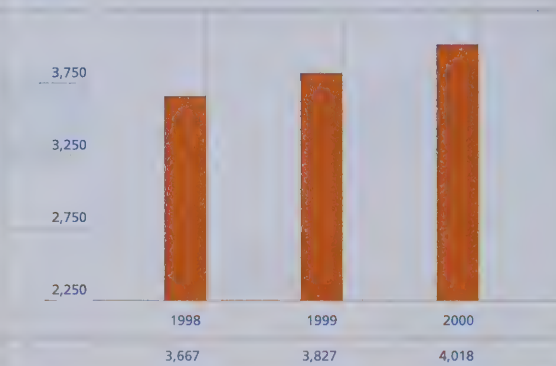
Operating plan

- CPR's current train operating plan was implemented in the third quarter of 1999 and focuses on improving productivity and asset utilization, while maintaining superior customer service standards. CPR continues to refine the fundamentals of the operating plan.
- The operating plan is designed to leverage CPR's investment in corridor and rail yard infrastructure, intermodal terminals, and AC traction locomotives. It was designed with state-of-the-art computer applications to satisfy more than 20,000 individual customer service commitments at the lowest possible cost.
- This operating plan is designed to operate longer, heavier trains (enabled by the superior haulage capacity of AC locomotives relative to DC technology) and to drive improvement in train crew labour productivity, fuel consumption and locomotive utilization. Improved car utilization is an additional benefit.
- Investments in new locomotives (which significantly reduced the frequency of en route locomotive failures) and additional passing sidings have improved corridor fluidity and lowered city-to-city transit times. With this lower level of operational variance, CPR has been able to reduce planned train speeds, and realize an improvement in fuel consumption rates while still meeting customers' service expectations. Intermodal and general merchandise trains operate at a maximum speed of 49 miles per hour, and bulk train speeds have been capped at 45 miles per hour.
- This operating plan optimizes locomotive cycling plans, by linking locomotives to

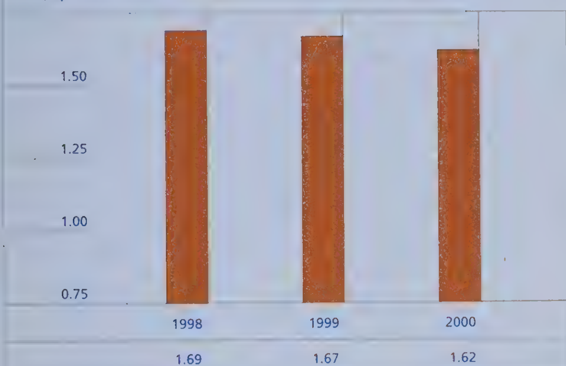
AVERAGE TRAIN WEIGHT
(tons)



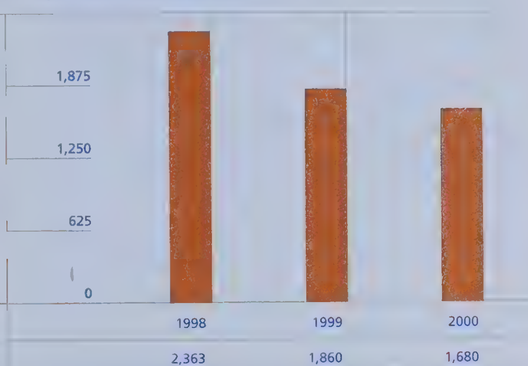
AVERAGE TRAIN LENGTH
(feet)



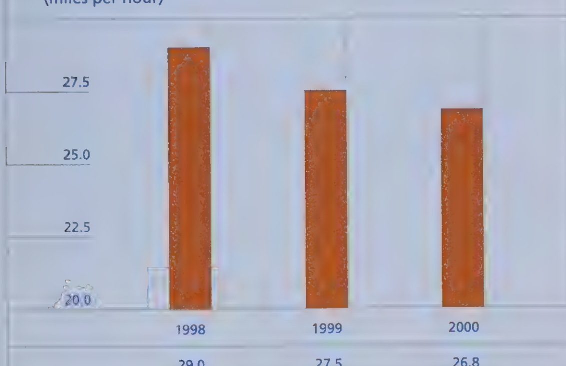
ROAD AND YARD CREW
($ per 1,000 GTMs)



LOCOMOTIVE RELIABILITY
(en route mission failures)

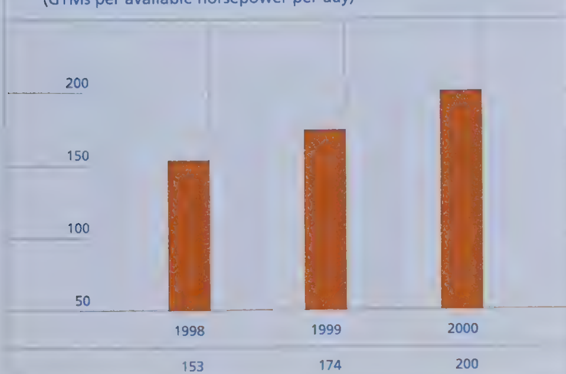


AVERAGE TRAIN SPEED
(miles per hour)

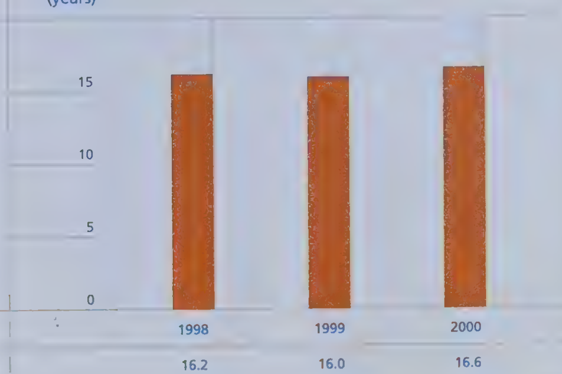


FUEL EFFICIENCY
(U.S. gallons of fuel per 1,000 GTMs)

LOCOMOTIVE UTILIZATION
(GTMs per available horsepower per day)



AVERAGE AGE OF ROAD FREIGHT LOCOMOTIVES
(years)



specific trains or train pairs, minimizing idle time in rail yards, and driving further improvement in utilization levels.

CPR has established rail yard processing time targets for every type of traffic and implemented standardized management processes and performance reporting systems at all major yards. As a result, the fluidity of traffic through all rail yards has increased to the benefit of both overall car processing capacity and dock-to-dock shipment performance.

Service remains a priority. CPR's operating plan was designed on a foundation of customer commitments. Customer Satisfaction Index statistics confirm shippers are satisfied with CPR's service package and delivery.

CPR-CN CO-PRODUCTION

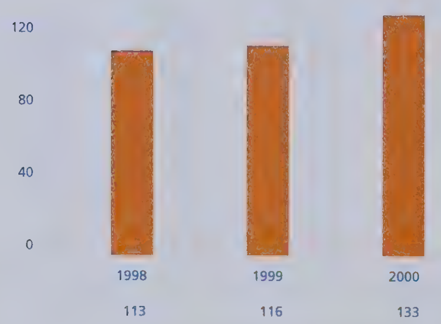
A key strategic consideration in the operating plan has also been to enter into co-production agreements with Canadian National Railway Co. (CN) – Canada's other Class I railroad. While the companies compete directly in most areas of the country, each is focused on maximizing shareholder value. By sharing of selected routes through the mountains in western Canada and in areas of Ontario, the U.S. Midwest and the U.S. Northeast, the Companies achieve significant value through an effective use of existing infrastructure to generate cost savings and revenue growth opportunities.

In January, 2000, an agreement was reached to allow directional running in the busy Fraser Canyon, British Columbia where both Companies operate parallel routes; west-bound trains use the CN route and east-bound trains use CPR's route.

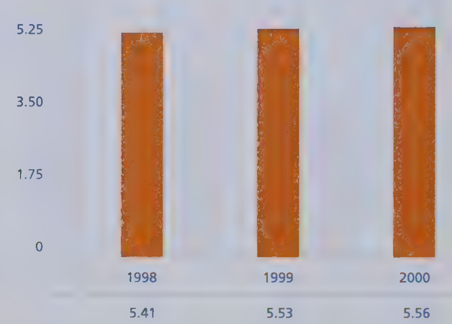
On December 15, 2000, CPR signed a three-year haulage agreement to access CN's Toronto-Chicago mainline. CPR will be able to route a minimum of 14 merchandise and/or intermodal trains per week over the line through the St. Clair Tunnel, thereby increasing capacity between Chicago and the Port of Montreal.

CPR has signed a five-year deal to carry CN's forest products over CPR's strategically placed D&H network. The deal generates revenue growth opportunities and added density over the D&H.

CAR MILES PER CAR DAY



CUSTOMER SATISFACTION INDEX
(highest rating is 7)



Labour relations (at March 31, 2001)

- The total number of CPR employees at December 31, 2000, was 17,519, of whom approximately 75% are unionized. Approximately 80% of CPR's work force is located in Canada.

LABOUR RELATIONS – CANADA

- In Canada, CPR is party to collective agreements with seven bargaining units; two expired at the end of 2000, three are in effect through to the end of 2002 and two are in effect through to the end of 2003.

Of the two expired agreements, negotiations with the bargaining unit representing signal maintainers are ongoing. In March 2001, the Company and the bargaining unit representing locomotive and car repair employees reached a tentative three-year settlement with provision for a one-year extension. The agreement is subject to ratification.

The five collective agreements that are now in effect provide for wage increases of two per cent annually and contain improved health and vision plans, pension and life insurance benefits. Included in the agreements are work-rule changes designed to increase flexibility and reduce costs.

- Gainshare programs are in place for approximately 7,100 employees represented by five bargaining units. Gainshare is a pay-for-performance system under which employees receive a share of the financial gains or savings they help generate. All major gainshare programs have a portion of their payout tied to a satisfaction index based on customer evaluation of CPR's performance.

LABOUR RELATIONS – U.S.

In the U.S., the Company is party to collective agreements with 31 bargaining units: 16 with the Soo Line, 14 with the D&H, and one with the customs clerks (Detroit).

SOO LINE

On the Soo Line, all 16 collective agreements were up for re-negotiation at the end of 1999, as were the labour contracts at all Class 1 railroads. All but the bargaining unit representing signal employees have served notice to bargain. Negotiations are ongoing with three of the bargaining units, representing dispatchers, machinists and engineers. Of the remaining 12 bargaining units that have served notice, one has yet to begin discussions, one is scheduled to begin initial discussions shortly while discussions with 10 others are on hold pending resolution of national negotiations.

- Soo Line will continue to negotiate directly with each bargaining unit rather than join with other Class 1 railways in national negotiations. In the past, direct negotiations have helped the Company and the bargaining units tailor certain settlement provisions to the needs and concerns of both the business and the workforce.
- In U.S. national negotiations, tentative settlements have been reached with the bargaining units representing track maintainers and train service employees. The agreements are subject to ratification.

D&H

- The D&H has agreements in effect with ten of its 14 bargaining units. Of the ten, six extend to the end of 2001, three to the end of 2002 and one to the end of 2004.
- In February 2001, three-year renewal agreements were reached with the bargaining units representing machinists and pipefitters. As well, a four-year agreement was reached with the bargaining unit representing police. The agreements have since been ratified.
- Of the four outstanding, negotiations are ongoing with two bargaining units representing electricians and labourers. Notices to bargain have been served by two other bargaining units representing conductors/trainpersons and track maintenance workers. Meetings have been scheduled with both unions.
- Gainshare programs are in place for employees represented by ten of the 14 D&H bargaining units.

EASTERN NETWORK (U.S.)

- The agreement between CPR and the bargaining unit representing Detroit customs clerks expired at the end of 1999. The parties have agreed to defer negotiations until after a settlement between Soo Line and its clerical employees has been reached.

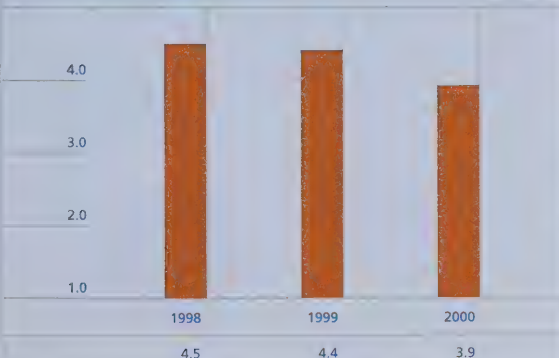
Safety

- Safety is a key priority for the Company. The CPR Safety Framework, a standardized safety management program, actively involves over 1,500 employees through local safety committees that assess operating conditions and practices and develop and implement changes where necessary. The work of the local committees is complemented by a top-down planning process led by Company executives. This process results in the establishment of performance targets and the assignment of resources necessary to achieve those targets.

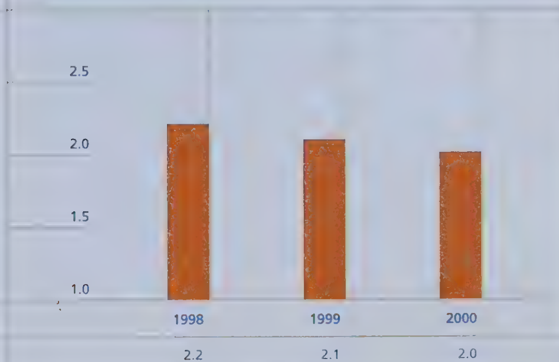
- This dual approach to safety management covers all operating functions, ensures a consistent approach, promotes the sharing of best practices and has contributed to a marked improvement in safety performance over the last three years.

- CPR is committed to the safety and health of the public. CPR works in co-operation with Operation Lifesaver™ to educate the public on the potential hazards of rail/highway grade crossings and the dangers of trespassing on railway property. CPR's business practices include consultations with its neighbours and other key stakeholders.

FRA PERSONAL INJURIES
(per 200,000 employee hours)



FRA TRAIN ACCIDENTS
(per million train miles)



Environment

CPR's environmental protection policy commits it to meeting or exceeding government environmental requirements in the areas of waste and wastewater management, contaminated sites, spill reporting and emergency response, environmental assessment, storage tanks, and other environmental matters.

CPR spent approximately $32 million in 2000 relating to environmental management. Of this amount, $13 million was spent on ongoing operations in 2000, $3 million was related to capital program upgrades and $16 million was spent under the remediation program.

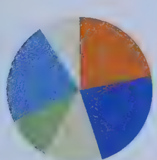
CPR has had a comprehensive environmental management program in place since the early 1990s that includes re-evaluating the Company's environmental remediation provision each year. In 1999, CPR accrued additional remediation costs of $50 million, before tax. Management expects the current environmental provision will cover the program until 2010.

CPR is a member of the Responsible Care™ program. The program, a partnership between chemical producers and chemical transporters, encourages participants to work together to minimize risks associated with chemical transportation, and to ensure prompt and effective response in any eventuality.

MARKETS

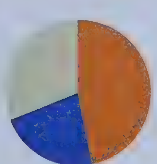
CPR's freight traffic is organized into three business groups based on the service and equipment requirements of its customers: the Intermodal and Automotive Group; the Resource Products Group; and the Agri-products and Coal Group. The business groups are further broken down into commodity groups, defined by the principal products they handle.

FREIGHT REVENUE
(% of 2000 revenue)



2000
- 22% Grain
- 23% Coal, sulphur and fertilizer
- 13% Industrial products
- 10% Forest products
- 23% Intermodal
- 9% Automotive

GEOGRAPHIC DISTRIBUTION
(% of 2000 carloads)



2000
- 47% Domestic Canada
- 22% Domestic U.S.
- 31% Cross-border

ORIGINATING TRAFFIC
(% of 2000 carloads)

2000
- 86% Originated
- 14% Received

INTERMODAL AND AUTOMOTIVE GROUP

The Intermodal and Automotive Group (IAG) of CPR's business involves the movement of high-value, time-sensitive shipments. Key IAG developments since 1998 include: the launch of a new product, Expressway, which operates between Montreal, Toronto and Detroit, and the upgrade of the Vancouver-Chicago segment. CPR has grown its intermodal and automotive revenues and volumes over the past three years. Strong relationships with automakers and access to the major auto assembly plants in southern Ontario, Quebec and the U.S. Northeast are key drivers of CPR's success in this commodity.

RESOURCE PRODUCTS GROUP

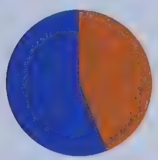
The Resource Products Group services the forest and industrial products sectors. Forest products (lumber, newsprint, panel, woodpulp and paper products) originate primarily in southern British Columbia, northern Alberta, northern Ontario and Quebec, and are shipped throughout North America and overseas. A network of truck-rail reload centres in strategic locations has positioned CPR for growth, particularly in the lumber commodity line. Industrial products (chemicals, energy, aggregates and steel) originate in key producing areas of central Alberta and southern Ontario, and are shipped to major markets in the U.S., Canada and overseas. CPR recently completed a new rail line into a world-scale polyethylene plant operated by Dow Chemical Canada Inc. in central Alberta.

AGRI-PRODUCTS AND COAL GROUP

→ The Agri-products and Coal Group (grain, fertilizers, coal and sulphur) forms the foundation of the railway's position as a western-based resource carrier. Rail is essential to these commodities, given the necessity to transport large volumes over long distances, often requiring specialized handling requirements. The large quantities shipped enable CPR to offer rapid single-commodity train service. CPR offers the shortest route from most of the key grain and fertilizer producing areas in western Canada to the Port of Vancouver. It has access to the key sulphur-producing regions in Canada, is the leading transporter of formed sulphur transported to the export market, and is the largest transporter of liquid sulphur from Alberta to southeastern U.S. It directly serves the most productive coal mines in Canada, efficiently transporting coal to tidewater.

Intermodal

INTERMODAL
(% of year 2000 carloads)



CPR'S INTERMODAL MARKET

→ CPR's Intermodal freight traffic consists of manufactured consumer products moving in containers within North America and between North America and other continents. As such, the business is divided into two segments: international and domestic.

The domestic segment is primarily long haul, east-west business, arising from manufacturing occurring predominantly in eastern Canada and the U.S. Northeast. The Company's international segment moves container volumes from the Port of Vancouver to both eastern Canada and the U.S. Midwest and from eastern Canada to Chicago and the Ports of New York and Philadelphia.

INTERNATIONAL SEGMENT

CPR provides rail service to the container shipping lines, serving both the Port of Vancouver and the Port of Montreal. As the dominant rail carrier at the Port of Montreal, CPR provides daily train service from Montreal to all major CPR inland points in Canada and the U.S. The Montreal-Chicago Corridor (for containers moving between Europe and the U.S. Midwest) moves more trans-Atlantic container traffic than any other rail-to-port routing in North America.

CP Ships, CPR's largest international customer, is a leading provider of international ocean and inland transportation for containerized cargo. CP Ships' six shipping lines transport nearly two million containers per year, which places CP Ships among the top 10 container shipping businesses worldwide.

CPR offers a service product between the Port of Vancouver and the U.S. Midwest to capture business previously moving through the U.S. West Coast ports. CPR offers the shortest and most direct route from the Port of Vancouver to Chicago over its own track.

DOMESTIC SEGMENT

Domestic intermodal service, which represents approximately 44% of CPR's container business, is marketed via two channels. In Canada, CPR markets the majority of its services directly to retailers, providing complete door-to-door service and maintaining the relationship directly with the customer. In the U.S., CPR markets most of its services via wholesalers, who typically maintain direct contact with the customer. The business is split between Canada and the U.S. with 84% originating in Canada and 16% originating in the U.S.

CPR has completed the conversion of its carload pool (general merchandise) traffic to containers.

CPR has a modern network of 23 intermodal terminals and over the past few years has expanded capacity in five strategic locations – Vancouver, Calgary, Chicago, Toronto, and Montreal (see page 15). Further capacity additions are planned in Toronto and Calgary in 2001 to keep pace with growth in the intermodal market.

CPR's Expressway is an effective short-haul intermodal service product in the Montreal-Toronto-Detroit corridor. CPR's Expressway works in partnership with trucking companies to move trailer equipment on dedicated specialized flat cars. In doing so, Expressway reduces road congestion and fuel emissions attributable to trucks.

Expressway is also an innovative way to manage capacity and address a driver shortage in the trucking industry. Currently, Expressway service consists of up to four trains a day, six days a week, capable of handling up to 60 trailers per train. This service provides an automated reservation system, quick terminal throughput times, on-time delivery, and rapid transit times.

There has been momentum in Expressway service. CPR and Hudson's Bay Company recently signed a deal that will eliminate 16,000 trailers a year from the highway between Toronto and Montreal and put them on Expressway trains. DaimlerChrysler also became the first auto manufacturer to put auto parts on Expressway trains in the high-volume Detroit-Toronto corridor.

CUSTOMER RECOGNITION

- CPR has, over the last two years, received customer recognition in the following ways:
  - Sears and Canadian Tire chose to position their new distribution centres next to CPR's intermodal terminals – Sears in Toronto (Vaughan) and Calgary, and Canadian Tire in Calgary.
  - Consolidated Fastfrate (CFF) located its new Toronto cross-dock facilities at Toronto (Vaughan) and in Calgary adjacent to our intermodal terminal.

OUTLOOK

- Over the long term, containerized trade of consumer products on a global scale is expected to continue to rise.

Domestic Intermodal traffic growth is expected to continue due to a general increase in Canadian transcontinental business, an extension of CPR's reach into the U.S., and growth in the Canada and U.S. trans-border market.

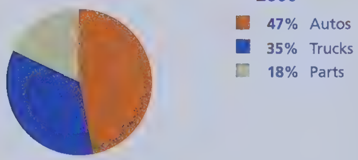
The potential for growth in the highly congested truck trailer markets, served by CPR's Expressway product line, is strong. Over three million truck trailers moving in North America cannot be lifted or moved using traditional intermodal rail service due to structural configuration of these trailers.

INTERMODAL	2000	1999	1998	1997
Revenues (millions)	$ 781.9	$ 751.8	$ 679.3	$ 615.9
Revenue ton-miles (millions)	20,778	19,126	16,288	14,966
Carloads (thousands)*	903.9	867.4	767.8	717.3
Revenue per carload	$ 865	$ 867	$ 885	$ 859

*Carloads = intermodal units

Automotive

AUTOMOTIVE
(% of year 2000 carloads)



CPR'S AUTOMOTIVE MARKET

→ CPR's automotive traffic encompasses the transport of either imported or domestically produced (Canada and the U.S.) automobiles, trucks and automotive parts.

CPR transports import vehicles from Vancouver to Chicago and eastern Canada, and domestically-produced vehicles from eastern Canada to U.S. and Canadian destinations. Through interline partners, CPR also handles traffic originating at other auto assembly plants. CPR ships automotive parts to assembly plants in eastern Canada and the St. Paul area from regions served by its interline partners.

Automotive customers require fast, consistent, damage-free service to reduce costs. Railways, with their extensive international connections, damage-prevention practices and low costs, are one of the most competitive modes of transportation for the automotive industry. Advanced equipment and loading techniques as well as dedicated automotive train service contribute to reduced costs, transit times, and product damage.

CPR has established strong relationships with automakers on the basis of its performance in the most critical areas: reliable on-time delivery, customer service, damage prevention, account management, and auto compound operations. CPR has an aggressive damage prevention program for its automotive customers. Damage Prevention and Freight Claims specialists maintain a regular presence at all automotive assembly plants located on CPR lines in Canada and the U.S. This group also works closely with contractors who operate CPR's destination automotive compounds.

CPR has access to 11 major automotive assembly plants in Ontario, Quebec and Minnesota and to other compounds throughout the system. CPR is the exclusive rail service provider to Honda and Toyota plants near Toronto, the General Motors plant north of Montreai, Ford's plant in St. Paul and DaimlerChrysler's plants at Windsor and Bramalea, Ontario.

CPR's U.S. Northeast rail network gives shippers a competitive option for reaching the large U.S. markets.

OUTLOOK

North American sales are forecast to remain strong over the next few years, although not at the record levels of the past two years. CPR believes it is well positioned because of its strong strategic partnerships with key automakers.

By virtue of its CPR – Mex Service, CPR believes it is well situated to capitalize on potential rail growth resulting from NAFTA.

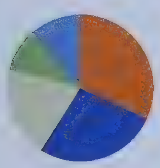
AUTOMOTIVE	2000	1999	1998	1997
Revenues (millions)	$ 305.4	$ 278.9	$ 238.3	$ 228.5
Revenue ton-miles (millions)	2,587	2,464	2,080	1,863
Carloads (thousands)	174.8	163.1	139.3	145.8
Revenue per carload	$ 1,747	$ 1,710	$ 1,711	$ 1,567

AUTO COMPOUNDS	ACREAGE	AUTOMOTIVE BAYS
St. Luc (Montreal, Quebec)	59	6,000
Agincourt (Toronto, Ontario)	55	6,000
Cottage Grove, Minnesota	45	3,830
Calgary, Alberta	23	2,380
EC Row (Windsor, Ontario)	22	1,900
Winnipeg, Manitoba	20	1,500
DaimlerChrysler (Windsor, Ontario)	14	1,400
Voorheeseville, New York	17	1,400
Regina, Saskatchewan	4	385

CPR has joint access to three other auto compounds: Thunder Bay, Edmonton, Alberta and Saskatoon, Saskatchewan.

Forest products

FOREST PRODUCTS
(% of year 2000 carloads)



2000

- 32% Woodpulp and fibreboard
- 27% Newsprint and paper
- 20% Lumber
- 10% Panel and Oriented Strand Board (OSB)
- 11% Other

CPR FOREST PRODUCTS MARKET

CPR's forest products traffic consists primarily of woodpulp and fibreboard, newsprint and paper, lumber, and panel and Oriented Strand Board (OSB) moving from the key producing areas in British Columbia, northern Alberta, Ontario and Quebec to destinations throughout North America.

Through the use of reload centres, CPR is able to extend its franchise into key lumber producing areas in southern British

CPR's forest products traffic originates primarily in southern British Columbia, northern Alberta, northern Saskatchewan, Ontario and Quebec, and moves to markets throughout North America.

CPR operates or has access to 13 forest products reload centres. Reload centres deliver value-added resources such as bar coding and special remanufacturing services that enable lumber mills to consolidate shipments and manage inventories more effectively.

Columbia, northern Alberta, northern Saskatchewan, Ontario and Quebec and to position itself for significant growth in the forest products industry.

Woodpulp is the primary raw material used in the manufacture of finished paper products, which in Canada range from standard newsprint to photocopier paper to coated papers used in magazines. These paper products are shipped in large rolls and transported to printing presses throughout North America. Recycled papers increasingly are used to supplement woodpulp, in proportions of 40% or more.

CPR is an industry leader in developing safe loading and unloading practices for rolled paper products. The Damage Prevention and Freight Claims group presents the only industry-wide paper handling workshops in North America. The group has set industry standards for loading patterns, dunnage materials, and general handling of papers. It has also trained all CPR customers moving paper products.

OUTLOOK

The long term impact of U.S. duties and penalties on Canadian softwood lumber exports to the U.S., which are being imposed after the April 1st 2001 expiry of the Canada-U.S. Softwood Lumber Agreement, remains unclear. However, CPR believes that Canadian producers will continue to ship at close to normal levels and will pass on most of any duty imposed by the U.S. in the wholesale price of lumber, which will drive lumber prices up but have little impact on demand. North American consumption of lumber and panel products is expected to grow steadily over the next few years comparable to the robust 1999-2000 levels.

Pulp inventories continue to climb despite widespread production cutbacks. Pulp demand is expected to remain steady over the next few years, although not at the same strong levels of the last two years.

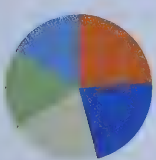
Printing paper demand is expected to remain relatively strong over the next few years. Growing end-use options combined with little new planned capacity over the next few years will balance supply levels with product demand, CPR believes it will benefit from this.

This year CPR is planning to implement the first phase of an extensive modernization program of its fleet of boxcars used for the transport of pulp and paper products and Oriented Strand Board. Boxcars capable of carrying 70 tons of product are expected to be phased out over this period in favour of cars that can carry up to 100 tons of payload. It is anticipated that the new boxcars will offer significant productivity improvements to both CPR and its customers while new, state-of-the-art design criteria for the boxcars is expected to provide CPR's customers with a significant improvement in transportation quality.

FOREST PRODUCTS	2000	1999	1998	1997
Revenues (millions)	$ 365.9	$ 361.2	$ 324.7	$ 309.6
Revenue ton-miles (millions)	11,502	10,775	9,103	8,958
Carloads (thousands)	179.3	177.1	163.1	165.9
Revenue per carload	$ 2,041	$ 2,040	$ 1,991	$ 1,866

Industrial products

INDUSTRIAL PRODUCTS
(% of year 2000 carloads)

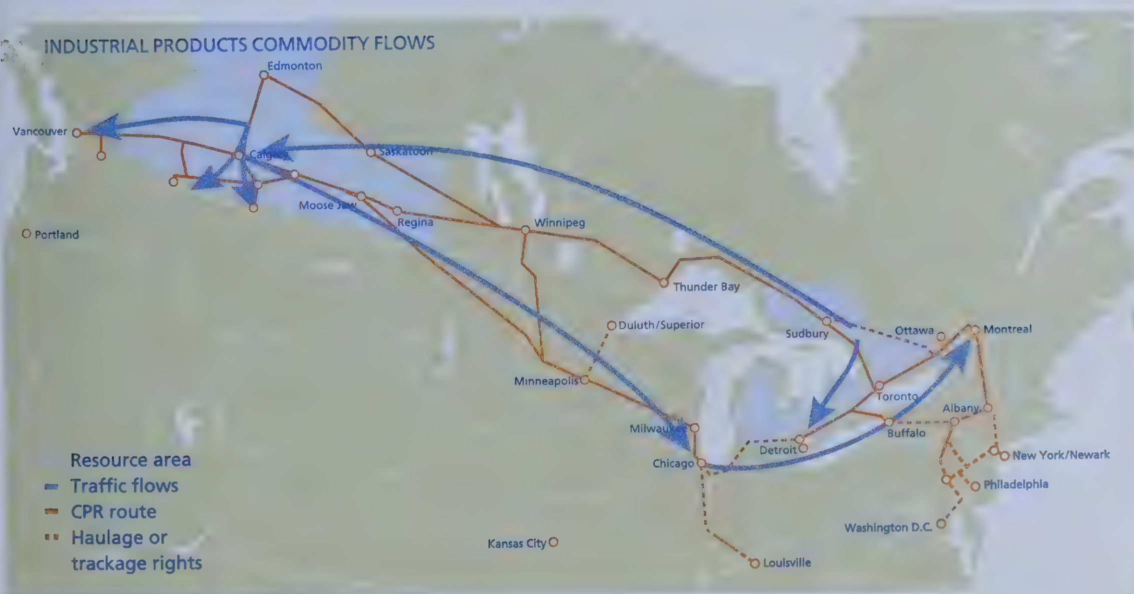


2000

- 24% Chemicals and plastics
- 22% Aggregates and minerals
- 20% Steel and scrap
- 18% Mines and metals
- 16% Energy

CPR INDUSTRIAL PRODUCTS MARKET

CPR's industrial products traffic includes a diverse array of commodities which can be grouped as chemicals and plastics, aggregates, mines and metals, steel and scrap and energy. These products are shipped primarily from Alberta, Ontario and Quebec to major markets throughout North America and overseas.



CPR's industrial products traffic is widely dispersed throughout Canada, with large bases in Alberta, Ontario and Quebec. The products are transported to destinations throughout North America as well as to the Port of Vancouver for the export market. CPR also participates in the movement of products from the U.S. to Canadian destinations, including chemicals originating in and around the Gulf Coast and destined to points in eastern Canada.

- CPR offers the shortest, most expedient route in conjunction with UP, connecting the U.S. Gulf Coast and the Alberta chemical markets.
- In addition, CPR's large number of cross-border gateways in western Canada provide customers with the most direct rail access to markets in the western U.S. and the Chicago hub.

Through haulage agreements CPR has access to large markets in the U.S. Northeast marketplace, including New York City and New Jersey. CPR can carry chemicals directly from New Jersey to the Port of Vancouver. CPR plans to continue to pursue traffic growth over this territory for all industrial products.

CHEMICALS AND PLASTICS

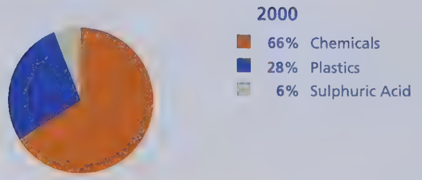
CPR's chemicals and plastics traffic comprises petrochemicals, glycol, styrene, methanol, sulphuric acid and plastics. CPR transports chemicals from Alberta and eastern Canada to points within the domestic North American market and to export markets for use in a variety of industrial applications.

- CPR is an active participant in Responsible Care™ a worldwide chemical industry initiative launched in response to public concerns about safety in the manufacture, transportation, use and disposal of chemicals.

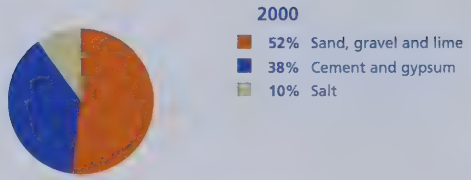
AGGREGATES AND MINERALS

- Aggregates and minerals carried by CPR are cement, sand, stone, lime and salt. CPR ships the raw minerals from mines and quarries to processing plants, and the finished aggregates from the plants to end-users. Most aggregates move in covered hoppers cycling through CPR's network year-round.

CHEMICALS AND PLASTICS
(% of year 2000 carloads)



AGGREGATES AND MINERALS
(% of year 2000 carloads)



MINES AND METALS

The key mines and metals commodities transported by CPR are nickel, copper, zinc, iron ore and lead. CPR transports unrefined ores from mines to smelters and refineries for processing. Processed metal is then shipped by CPR to end-users including automobile factories, appliance-makers and battery manufacturers.

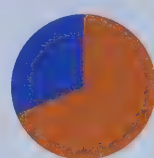
STEEL AND SCRAP

CPR carries primarily manufactured steel products including coils, slabs, plates, pipe and waste metals. The Ontario and Saskatchewan steel mills served by CPR are major suppliers to the transportation, oil and gas, packaging and construction industries. End products include automobiles, steel pipes and rigging and appliances.

MINES AND METALS
(% of year 2000 carloads)

2000
- 77% Copper and nickel
- 11% Lead and zinc
- 12% Misc. mines and metals

STEEL AND SCRAP
(% of year 2000 carloads)



2000
- 69% Manufactured steel
- 31% Scrap and waste metals

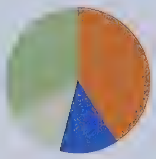
INDUSTRIAL PRODUCTS FACILITIES

CPR has invested in a number of transfer and storage facilities in Ontario, Quebec and the U.S. Northeast for the steel and plastics markets. Like the reload centres for forest products, these facilities provide a value-added service to CPR customers, as well as extending the reach of CPR's franchise. CPR's service, in conjunction with UP, between Chicago and the facilities in Ontario and Quebec, will continue to connect Gulf Coast chemical traffic to the eastern Canadian marketplace.

ENERGY

For CPR, the key energy commodities are propane, butane, diesel fuel and gasoline. Energy hubs in Alberta and Ontario produce the majority of Canada's energy products, which are shipped by CPR in tank cars from refineries to end-user markets.

ENERGY
(% of year 2000 carloads)



CUSTOMER COMMITMENT

In 2000,

- CPR completed construction of a rail line to serve Dow Chemical's new world-scale polyethylene facility at Prentiss, in central Alberta. Dow and CPR have forged a long-term partnership to handle product from this facility.
- Algoma Steel and CPR established the foundation for a long-term partnership with the completion of state-of-the-art climate and humidity controlled steel transfer facility in Hamilton, Ontario. Through this investment, CPR has enabled Algoma to effectively bridge the geographic gap between its mill in northern Ontario and its primary market in southern Ontario.

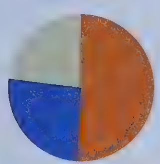
OUTLOOK

- In the long term, the Steel and Polyethylene markets are forecast to return to traditional production and shipping levels, versus the reduced volumes expected in 2001.
- In 2002 and beyond, the Chemicals and Aggregates markets are expected to return to normal production levels, as a result of the stabilization of Natural Gas prices and/or using alternative energy sources, i.e. coal. The production in these markets has been negatively impacted in 2001 as some producers have opted to reduce production levels in an effort to cut costs. Additionally, other CPR customers have cut production in order to sell electricity at premium rates, versus using the electricity for production of their normal commodities.
- CPR's Industrial Products group is well positioned to take full advantage of these expected improvements in the above markets.

INDUSTRIAL PRODUCTS	2000	1999	1998	1997
Revenues (millions)	$ 438.1	$ 433.0	$ 430.4	$ 430.0
Revenue ton-miles (millions)	13,349	12,499	11,737	11,863
Carloads (thousands)	286.2	292.8	295.6	302.7
Revenue per carload	$ 1,531	$ 1,479	$ 1,456	$ 1,421

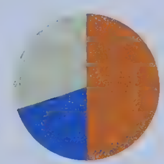
Grain

GRAIN
(% of year 2000 carloads)



2000
- 51% Wheat
- 26% Grain products
- 23% Other agricultural products

GRAIN BUSINESS SEGMENTS
(% of 2000 revenue)



2000
- 50% Canadian statutory grain
- 20% Canadian commercial grain
- 30% U.S. grain

CPR's grain business is centred in two key agricultural areas: the Canadian Prairies (Alberta, Saskatchewan and Manitoba) and the northern Plains states of North Dakota and Minnesota.

Western Canadian grain is shipped west to the Port of Vancouver and east to Thunder Bay for export. Grain is also shipped to the U.S. Midwest and to eastern Canada for domestic consumption.

U.S.-originated grain moves to Duluth, Minnesota, for export through the Great Lakes or to the Pacific Northwest. Grain destined for domestic consumption moves east over the Chicago gateway directly to the U.S. Northeast or is interchanged to the U.S. Southeast or California markets.

CPR GRAIN MARKET

- CPR's grain traffic consists of wheat, grain products and other agricultural products transported from the Canadian Prairies and northern Plains states of North Dakota and Minnesota to other North American areas or overseas.

  CPR has the shortest route from most of the main production areas of Canada to the Port of Vancouver, and direct access via its own lines from both Canadian and U.S. origins to midwestern and northeastern U.S. markets. CPR is the only railroad that has the ability to originate grain in both western Canada and in the U.S. west of the Mississippi for delivery over its own network to grain markets in the U.S. Northeast.

  A modern fleet of reliable, high-capacity 286,000-pound grain hopper cars ensures efficient service. CPR has acquired approximately 7,000 of the highest-capacity covered hoppers in North America, yielding significant fleet productivity benefits.

  In Canada, the number of grain elevators has decreased significantly with the move to modern high-throughput elevators. CPR has many high-throughput elevators on its lines, resulting in a lower cost for the grain handling and transportation system. This consolidation has produced improved efficiency with fewer loading points and increased unit train shipments – particularly to export facilities.

  CPR launched MaxTrax in November, 2000. MaxTrax is an innovative logistics program designed to increase the efficiency, transparency and accountability of the Canadian export grain handling and transportation system. It provides a flexible range of service, price and product options to meet the different needs and demands of Prairie shippers.

- CPR has enjoyed a high level of shipper utilization across all MaxTrax products and services. As well, CPR continues to work with shippers to identify ways to further improve its products and services.

STATUTORY GRAIN LEGISLATION IN CANADA

- Since 1897, railway rates for the movement of grain in western Canada have been subject to special legislative provisions. These provisions apply to defined commodities and origin/destination pairings set out in the Canada Transportation Act.
- The provisions currently apply to 58 grains, oilseeds, specialty crops and processed products. The commodities include wheat, barley, oats, rye, canola and flaxseed (grains and oilseeds), peas, beans and lentils (specialty crops), and flour, meals and vegetable oils (processed products).
- The defined origin/destination pairings are:
  - From the Prairies to Vancouver for export (except for exports to the U.S.); and
  - From the Prairies to Thunder Bay, for export and for domestic consumption, including the portion of through movements terminating east of this point.
- The Canadian Wheat Board is the exclusive seller and marketing agency for wheat and barley grown in western Canada for export.

STATUTORY CHANGES

→ The Canadian federal government introduced several statutory changes affecting grain transportation in Canada, effective August 1, 2000. The changes include:

1) The repeal of the maximum rate scale and the implementation of a maximum revenue entitlement for railways on traffic destined for export. CPR's total Canadian statutory grain revenues may not exceed $369.9 million in crop year 2000-01 based on a volume of 13.9 million tonnes and an average length of haul of 897 miles.

2) A requirement that the Canadian Wheat Board tender up to 50% of its freight traffic for export by the 2002-2003 crop year.

3) A change in the branch line rationalization process, which could potentially hinder the transfer of lines on a commercial basis.

OUTLOOK

→ The outlook for grain in 2001-2002 is conservative but stable. World consumption continues to outpace production, and the world stock-to-use ratio for wheat is approaching an all-time low of 14.2%.

→ World wheat prices (excluding durum) are expected to increase due to lower U.S. production and tightening world supplies. World coarse grain prices are expected to increase slightly due to lower expected corn production and ending stocks in the U.S. and reduced EU barley supplies.

→ Area seeded in western Canada is expected to shift into spring wheat, coarse grains, flaxseed and some special crops and away from canola and summerfallow due to higher expected relative returns to farmers.

→ Western Canadian exports of the six major grains are projected to remain at levels similar to last year's with approximately 25.6 million metric tonnes of product forecasted to move by the end of the 2001-2002 crop year.

GRAIN	2000	1999	1998	1997
Revenues (millions)	$ 755.2	$ 687.5	$ 740.6	$ 826.4
Revenue ton-miles (millions)	25,329	21,915	22,599	26,044
Carloads (thousands)	351.3	316.0	332.2	364.1
Revenue per carload	$ 2,150	$ 2,176	$ 2,229	$ 2,270

WESTERN CANADIAN GRAIN PRODUCTION (SIX MAJOR GRAINS)	(MILLION METRIC TONNES)
2000 (2000-2001 crop year)*	47.5
1999 (1999-2000 crop year)	50.9
1998 (1998-1999 crop year)	47.3
1997 (1997-1998 crop year)	46.3

*estimated

Coal, sulphur and fertilizers

CPR'S COAL MARKET

CPR's Canadian coal traffic is 95% metallurgical and 5% thermal. Canadian coal moves mainly from southeastern British Columbia mines to overseas markets. CPR's U.S. coal traffic is thermal coal shipped from the Powder River Basin and the Illinois Basin to power generating facilities.

CPR employs dedicated train sets that operate in a continuous-loop service between the Canadian coal mines and the ports, with payload capacity ranging from 11,000 metric tonnes to 13,250 metric tonnes. The efficiency of CPR's Canadian coal fleet has increased with the introduction of high-capacity, light-weight aluminum coal cars. Investments

COAL COMMODITY FLOWS

Over 90% of all of CPR's Canadian coal traffic moves from five origin points in southeastern British Columbia to bulk handling facilities in Vancouver for export.

Connections with U.S. carriers moving coal out of the Powder River Basin generate coal traffic for power plants located on CPR's midwestern network and connecting shortlines. Powder River Basin coal accounts for approximately 65% of CPR's U.S.coal traffic. The utilities served by CPR are among the lower-cost generating facilities in the U.S. Roughly 15% of CPR's U.S. coal is Illinois [illegible]

in locomotives, cars and the efficient export route have resulted in the longest and heaviest coal trains in Canada and the fastest coal trains in North America.

Fording Inc., a CPR customer, is Canada's largest producer of export coal. Fording's three mines in southeastern British Columbia, along with the nearby mines of Teck and Luscar Ltd., are approximately 700 miles from the Roberts Bank Port, British Columbia. The southeastern British Columbia mines supply coal to the international steel industry and are considered to be among the most efficient, high-quality metallurgical coal mines in North America.

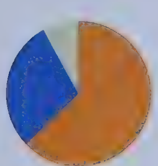
OUTLOOK

CANADIAN COAL

World supply of coal has tightened due to mine closures and increased demand for coal driven by high energy prices. As CPR services some of the most efficient, high quality mines in Canada, our shippers anticipate increased sales volumes at improved prices. CPR is expected to benefit from the increased volumes in view of the recovering market.

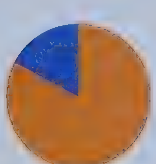
CPR continues to modernize its coal fleet, with the second phase of 625 aluminum cars to be received over the first half of 2001. This investment is expected to allow CPR to move over 50% of its export coal in highly efficient aluminum equipment.

COAL, SULPHUR AND FERTILIZERS
(% of year 2000 carloads)



2000
63% Coal and coke
29% Fertilizers
8% Sulphur

COAL BUSINESS SEGMENTS
(% of 2000 originated carloads)



2000
83% Canada
17% U.S.

CANADIAN COAL
(% of 2000 carloads)

2000
95% Metallurgical
5% Thermal

U.S. COAL
(% of 2000 carloads)

2000
100% Thermal

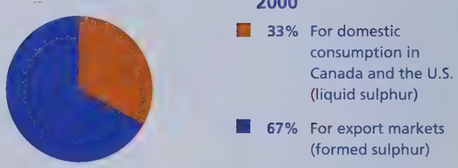
CPR'S SULPHUR MARKET

Most sulphur is a byproduct of processing sour natural gas and crude oil, although additional product comes from refineries and heavy oil sands. Sulphur is a major raw material used in the manufacture of fertilizers.

All sulphur moves in highly efficient single-commodity unit trains. A typical 1,400-mile round trip for an export sulphur train, including loading and unloading 112 railcars, takes just six and a half days. A fleet of approximately 350 additional 286,000-pound, heavy loading rotary gondola railcars was introduced in 2000 by Sultran and CPR to improve overall efficiency of export sulphur traffic.

CPR believes it is advantageously located to service both the export and the domestic markets.

SULPHUR VOLUMES
(% of 2000 tons)



OUTLOOK

Increased demand for elemental sulphur in China, India and Australia is expected to offer new off-shore export opportunities for CPR over the next three to four years. Long-term production capacity changes in China, characterized by the modernization of sulphur processing facilities, is expected to lead to sustained, long-term growth in international demand to that destination. CPR believes it is well positioned to capitalize on this new demand.

CPR is the leading transporter of formed sulphur from gas plants in southern Alberta to the Port of Vancouver for export markets. The three major shipping points in southern Alberta are Shantz, Pecten and Rocky View. CPR is Canada's largest transporter of liquid sulphur, which is shipped from Alberta to the southeastern U.S. for use in the fertilizer industry.

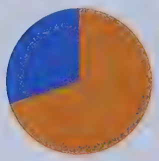
FERTILIZER MARKET

CPR's fertilizer traffic consists primarily of potash and nitrogen produced in Saskatchewan and Alberta moving to both overseas and North American markets.

CPR provides transportation services to all major potash and nitrogen production facilities in western Canada and has the most efficient routes from Canadian production areas to major U.S. markets.

CPR has direct service to key fertilizer distribution terminals, including barge facilities on the Mississippi River system at Minneapolis – St. Paul and the Louisville, Kentucky area, and to Great Lakes vessels at Thunder Bay.

FERTILIZERS
(% of year 2000 carloads)



FERTILIZER COMMODITY FLOWS

[illegible]tash is shipped from Saskatchewan, the world's largest producing area, to key agricultural areas in the [illegible] Canada and offshore. The U.S. market is served through the direct access CPR has to [illegible] Chicago and through interchange connections to the Pacific Northwest, [illegible]

[illegible]

[illegible]usiness originates in [illegible]n Canada and the Mississippi River system terminals. Through [illegible]s phosphates from Florida, North Carolina and Idaho plants.

CPR positions loaded railcars from Saskatchewan mines in its Minneapolis and Chicago yards for transport to consuming markets during seasonal peaks.

CPR, in partnership with its customers, has designed specialized covered hoppers that have improved loading efficiency and safety.

OUTLOOK

Export Potash is expected to remain strong with key sales made to China. CPR should continue to see offshore volumes very close to last year's record, and they are expected to be spread more evenly through the year than in the past.

Nitrogen prices have been highly volatile in the past year and will continue to fluctuate with natural gas pricing. Plants located on CPR lines in Western Canada however, remain some of the most efficient and competitive plants in North America.

COAL, SULPHUR & FERTILIZERS	2000	1999	1998	1997
Revenues (millions)	$ 813.6	$ 811.2	$ 901.9	$ 966.6
Revenue ton-miles (millions)	36,864	33,655	34,287	35,592
Carloads (thousands)	499.1	513.8	547.0	586.9
Revenue per carload	$ 1,630	$ 1,579	$ 1,649	$ 1,647

Customer service

- CPR's customer service team provides four main functions: monitoring and resolution management; waybilling and operations support; damage prevention and freight claims; and train and shipment planning.
- CPR implements customer service initiatives that aim to continually improve service quality for customers and to build strength in its brand.

CUSTOMER SERVICE INITIATIVES

- Customer service's business initiatives focus on improving both CPR productivity and creating additional value for customers.
- Customized portals on CPR's website allow customers direct , 24-hour, seven-day-a-week self-serve access to information affecting their business.
- CPR's core operating computer application VISTA allows customer service representatives to proactively identify deviations from trip plans, notify customers and manage resolution.
- Customer Relationship Management has formalized a cross-functional approach, incorporating CPR specialists from all areas to solve customer problems and explore new opportunities.

(AT DECEMBER 31, 2000)

TOP 5 BUYING CRITERIA	AVERAGE RATING FOR CPR
1. Service reliability	5.4
2. Price	5.2
3. Equipment supply	5.5
4. Account management	6.0
5. Transit time	5.2

(Maximum rating is 7)

- An improved customer service call system ensures timely and effective responses to all customer issues through integrated teamwork across CPR functions.
- Damage prevention programs protect customer shipments from harm in yards and across the network, reducing time and money expended on claims and lost sales.
- Shipment performance metrics provide data and accountability to improve on-time performance – both on a real-time, tactical basis and for strategic, systemic improvements.

INTERLINE MANAGEMENT

- CPR recognizes the significant value of its trading relationship with its rail partners and strives to be a "partner of choice". The creation of the CPR Interline group knits together key commercial, operating and agreement activities related to its rail partners. Effective, co-ordinated management of these cross-functional activities on both an internal and external basis will ensure that value to both CPR and its partners is enhanced.
- Recent arrangements include:
  - Joint CPR-UP service and capacity upgrades on UP Connection (western Canada – Pacific Northwest, California and Arizona via Kingsgate) and an improved interline service offering between western Canada and the southern U.S. and Mexico via Minneapolis/St. Paul.
  - Comprehensive shared access arrangements with NS in the New Jersey and other U.S. Northeast markets.
  - CPR-UP carload and intermodal services to Mexico.
  - CPR, CSXT, NS and UP equity investment in Arzoon, an internet-based specialist in transportation and logistics.
  - CPR is one of the founding members of RailMarketplace.com, an open and neutral electronic exchange to link buyers and sellers across the rail industry through fast, open access to goods and services. GE, also a founding member, is providing through its GXS subsidiary, the underlying technology to the marketplace. BNSF, CN, CSXT and UP are the other Class 1 railways involved.
  - CPR-CN co-production agreements (see page 20).

Tronicus

TRONICUS

In response to the demand from an increasing number of its customers, in the fall of 2000 CPR announced the creation of Tronicus Inc., a wholly owned subsidiary providing supply chain management solutions. Tronicus offerings range from logistics re-engineering to complete supplychain management outsourcing.

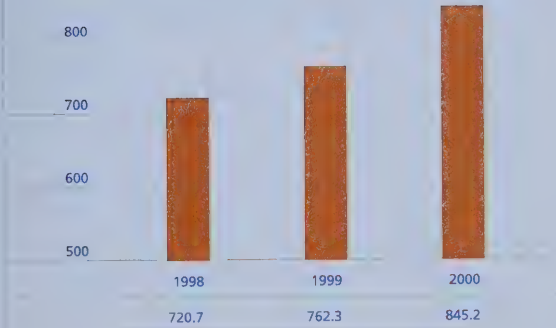
Tronicus offers solutions that deliver reductions in cost structure and improvements in performance. Benefits to clients include: operating cost, working capital and fixed asset reductions, along with improvements in the management of inventory, transportation, facilities and information. Tronicus is compensated based on the value it delivers to its customers.

With a depth of expertise in supply chain management combined with its partnership with Manugistics, a global provider of leading technology, Tronicus will deliver complete solutions and the next competitive edge that customers are seeking. Accordingly CPR's ability to position itself as an integral provider, meeting the demands of its valued customers, is enhanced.

FINANCIAL SUMMARY

- In 1996, CPR launched a strategic program to aggressively reduce costs, renew the franchise and grow the business. In 2000, CPR posted its fifth consecutive year of record operating income (excluding unusuals) and improved the operating ratio, productivity, asset utilization and customer service.

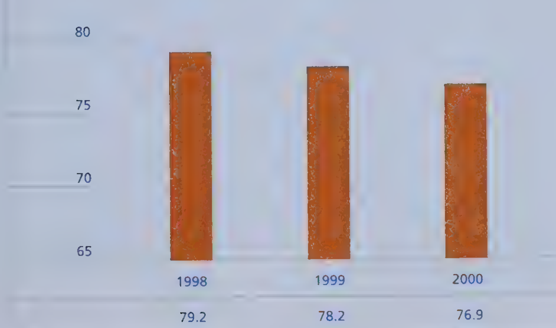
OPERATING INCOME*
($ millions)



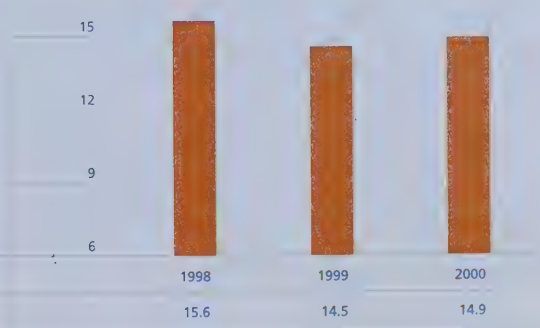
- CPR is continuing to push ahead with its strategic program. In 2001, CPR expects year-on-year improvement, subject to the performance of both the Canadian and U.S. economies.
- In the longer term, CPR anticipates:
  - Strengthening of the bulk markets, and further penetration into truck competitive markets.
  - Aggressive cost reduction with further improvement in asset utilization; labour productivity and reduced third-party spend.
  - Steady improvement in the operating ratio and positive free cash flow generation.
- As a result of the anticipated spin-off from CPL, CPR anticipates maintaining an investment grade debt rating and a debt-to-equity ratio in line with industry standards.

(* excludes unusuals)

OPERATING RATIO*
(%)



RETURN ON CAPITAL EMPLOYED (ROCE)*
(%) [EBIT/(average net debt + equity)]



GLOSSARY OF TERMS

Active employee – Employees actively employed by the railway. Excludes employees who are not working for reasons other than normal vacation or short term leaves

Average train weight – The average total weight (freight car tare plus content) of all trains operated in the period

Class 1 railroad – A railroad having operating revenues of more than U.S.$258.5 million annually

Classification yard – A rail facility where cars are grouped together according to their destination and marshalled into a train

Container – A large, weatherproof box designed for shipping and/or transferring freight between rail, truck or marine modes

Customer Satisfaction Index – An index of customer responses to a quarterly survey of CPR customers

Dunnage – Protective packing material

Gross ton-miles – The movement of the combined weight of freight cars and their contents one mile

GTMs per available horsepower per day – A measure of the productivity of the locomotive fleet. A railway strives to increase the amount of traffic (GTMs) handled with the amount of power available. Railway-to-railway comparisons are not wholly valid as geography, traffic mix and locomotive fleet structure affect the measure

Haulage – The right of one railway to have another railway transport freight over that railway's tracks, using the other's crews and usually its locomotives

Intermodal service – Freight moving via two or more modes of transport. Import/export containers generally move via marine and rail, while domestic intermodal typically utilizes truck and rail

Main line route – The primary rail line over which trains operate from terminal to terminal

Metric tonne – A metric tonne is 2,204.6 pounds

Miles of road operated – The route mileage of all rail lines over which the Company operates

On-time performance – The ability to meet customer requirements as to pick-up and delivery schedules

Operating Plan – The operating plan describes in detail all of the activities needed to provide the required level of dock-to-dock service. These include train scheduling, train design, locomotive cycling plans, major yard car processing plans and contingency plans

Operating ratio – The percentage of revenues that goes into operating the railway. It is calculated by dividing operating expenses by operating revenues

Reload centre – A transfer facility enabling the railway to expand market reach through truck-to-rail service

Return on capital employed (ROCE) – Earnings before interest and income taxes divided by average net debt plus equity

Revenue ton-mile – The movement of a ton of freight one mile for revenue

Shortline – A railway that cannot be classified as a Class 1 or regional railway

Track capacity – The maximum number of trains that can operate safely over a given segment of track during a specified time period (e.g., one day). Factors such as signal systems, siding lengths, number of tracks and geography all have an impact on track capacity

Warranty Service Agreement – A contracted service whereby a locomotive manufacturer undertakes management of locomotive repair and servicing functions using the facilities and employees of the railway

APPENDIX

Statement of consolidated income

	2000					1999					1998				
($ MILLIONS)	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR
Revenues															
Grain	179.5	178.3	199.8	197.6	755.2	140.5	159.9	188.7	198.4	687.5	185.4	167.9	184.2	203.1	740.6
Coal, sulphur & fertilizers	226.1	196.9	188.7	201.9	813.6	219.9	198.8	190.5	202.0	811.2	246.7	235.8	212.1	207.3	901.9
Forest products	90.4	91.7	93.2	90.6	365.9	88.7	89.6	89.8	93.1	361.2	79.0	84.1	77.2	84.4	324.7
Industrial products	110.3	103.7	110.1	114.0	438.1	107.4	94.2	109.2	122.2	433.0	108.5	105.5	109.6	106.8	430.4
Intermodal	185.3	194.3	202.0	200.3	781.9	172.5	182.7	192.0	204.6	751.8	153.0	170.2	173.8	182.3	679.3
Automotive	77.5	87.7	62.4	77.8	305.4	68.0	72.5	59.7	78.7	278.9	57.9	67.2	45.9	67.3	238.3
	869.1	852.6	856.2	882.2	3,460.1	797.0	797.7	829.9	899.0	3,323.6	830.5	830.7	802.8	851.2	3,315.2
Other revenues (*)	43.6	51.4	54.2	45.8	195.0	36.6	30.8	44.1	61.3	172.8	30.7	33.7	42.1	50.4	156.9
Total revenues (*)	912.7	904.0	910.4	928.0	3,655.1	833.6	828.5	874.0	960.3	3,496.4	861.2	864.4	844.9	901.6	3,472.1

(*) Excluding unusual items

Statement of consolidated income

($ MILLIONS)	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2000 YEAR	1999 Q1	1999 Q2	1999 Q3	1999 Q4	1999 YEAR	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1998 YEAR
Operating expenses															
Compensation and benefits	304.8	278.5	275.4	289.1	1,147.8	311.7	295.5	269.1	296.9	1,173.2	308.7	287.0	277.7	277.4	1,150.8
Fuel	103.1	98.1	98.5	110.0	409.7	65.1	63.3	67.5	83.3	279.2	77.0	71.2	63.2	70.2	281.6
Materials	55.8	58.4	50.3	48.8	213.3	61.2	49.3	49.1	39.8	199.4	60.6	65.8	48.3	59.9	234.6
Equipment rents	59.9	71.2	69.2	66.4	266.7	71.6	60.0	69.4	68.7	269.7	62.6	65.7	65.4	64.6	258.3
Depreciation and amortization	77.2	76.9	78.2	72.4	304.7	76.9	76.7	75.2	63.7	292.5	68.9	71.4	68.9	69.8	279.0
Purchased services and other (*)	125.2	116.7	117.1	108.7	467.7	106.5	126.0	133.6	154.0	520.1	133.3	128.9	139.8	145.1	547.1
Total operating expenses (*)	726.0	699.8	688.7	695.4	2,809.9	693.0	670.8	663.9	706.4	2,734.1	711.1	690.0	663.3	687.0	2,751.4
Operating income before unusuals	186.7	204.2	221.7	232.6	845.2	140.6	157.7	210.1	253.9	762.3	150.1	174.4	181.6	214.6	720.7
Unusual items	–	–	–	–	–	–	(500.6)	–	–	(500.6)	–	–	–	15.3	15.3
Other (income) charges	5.8	10.0	14.0	(6.7)	23.1	20.3	7.9	3.8	(5.8)	26.2	9.9	2.1	2.9	3.5	18.4
Interest expense	39.8	38.1	43.6	45.5	167.0	34.1	34.2	31.6	36.7	136.6	29.8	25.1	29.8	33.8	118.5
Income tax expense (recovery)	56.0	60.5	68.3	(62.0)	122.8	24.9	(157.7)	62.7	102.1	32.0	40.5	57.0	59.8	79.4	236.7
Net income (loss)	85.1	95.6	95.8	255.8	532.3	61.3	(227.3)	112.0	120.9	66.9	69.9	90.2	89.1	113.2	362.4

(*) Excluding unusual items

Consolidated balance sheet

($ MILLIONS)	2000 Q1	2000 Q2	2000 Q3	2000 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4
Assets												
Current assets												
Cash and short-term investments	75.4	149.5	144.0	120.3	30.6	33.0	79.9	54.7	265.9	301.5	378.9	49.5
Accounts receivable	510.1	481.7	504.9	495.3	438.4	406.0	422.7	503.8	470.8	419.5	482.9	458.7
Materials and supplies	187.9	163.7	151.3	131.0	244.1	255.5	230.4	176.1	187.7	201.8	194.3	194.6
Future income taxes (formerly Deferred income taxes)	58.8	58.8	58.7	82.8	50.4	50.4	50.4	58.8	75.4	75.4	75.4	50.4
	832.2	853.7	858.9	829.4	763.5	744.9	783.4	793.4	999.8	998.2	1,131.5	753.2
Investments	138.9	117.3	110.6	105.2	177.4	176.1	153.3	139.3	150.1	152.0	172.3	180.5
Net properties (*)	7,010.4	7,101.5	7,233.5	7,389.3	6,598.7	6,683.3	6,823.9	7,076.2	5,698.4	5,822.0	6,143.2	6,560.7
Other assets and deferred charges	450.8	498.6	544.9	484.3	389.7	346.4	357.0	360.3	305.0	335.9	362.6	395.0
Total assets	8,432.3	8,571.1	8,747.9	8,808.2	7,929.3	7,950.7	8,117.6	8,369.2	7,153.3	7,308.1	7,809.6	7,889.4

(*) Restated to conform with the presentation adopted for the fourth quarter of 2000.

Consolidated balance sheet

($ MILLIONS)	2000 Q1	2000 Q2	2000 Q3	2000 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4
Liabilities and shareholder's equity												
Current liabilities												
Bank overdraft	–	–	–	–	15.1	–	–	14.7	–	–	22.7	–
Accounts payable and accrued liabilities	986.4	957.8	951.4	1,023.5	964.9	977.3	981.6	1,134.8	971.7	971.1	1,095.0	1,389.2
Income and other taxes payable	128.0	128.1	146.9	158.1	95.6	53.5	84.0	111.0	50.9	69.1	89.1	102.8
Dividends payable	45.0	–	45.0	–	–	75.0	–	–	–	–	–	–
Long-term debt maturing within one year	0.9	0.9	0.9	3.1	1.6	1.4	1.2	0.9	23.6	22.3	21.1	20.2
	1,160.3	1,086.8	1,144.2	1,184.7	1,077.2	1,107.2	1,066.8	1,261.4	1,046.2	1,062.5	1,227.9	1,512.2
Deferred liabilities	825.8	817.6	818.7	731.8	543.1	968.5	939.5	827.6	565.1	577.6	598.9	557.3
Long-term debt	1,626.4	1,904.3	2,087.6	2,276.3	1,673.6	1,644.7	1,635.7	1,646.0	1,353.6	1,404.8	1,447.1	1,489.2
Advances from affiliate	645.9	483.5	304.7	50.0	376.6	429.1	520.6	529.3	500.2	435.1	559.3	215.2
Future income taxes (formerly Deferred income taxes)	882.9	923.7	976.1	937.7	908.3	764.8	812.3	904.0	781.5	820.9	878.0	881.1
Deferred income credits (*)	64.6	69.2	64.1	64.9	55.3	54.4	50.6	62.9	–	–	–	–
Shareholder's equity												
Ordinary shares	1,812.5	1,812.5	1,812.5	1,812.5	1,812.5	1,812.5	1,812.5	1,812.5	1,804.5	1,804.5	1,804.5	1,812.5
Contributed surplus	300.0	297.9	306.2	299.4	293.9	293.9	296.1	297.9	276.4	276.4	276.4	283.7
Foreign currency translation adjustments	59.0	70.6	78.0	84.3	84.6	73.7	69.6	67.8	75.4	85.7	87.8	95.3
Retained income	1,054.9	1,105.0	1,155.8	1,366.6	1,104.2	801.9	913.9	959.8	750.4	840.6	929.7	1,042.9
	3,226.4	3,286.0	3,352.5	3,562.8	3,295.2	2,982.0	3,092.1	3,138.0	2,906.7	3,007.2	3,098.4	3,234.4
Total liabilities and shareholder's liability	8,432.3	8,571.1	8,747.9	8,808.2	7,929.3	7,950.7	8,117.6	8,369.2	7,153.3	7,308.1	7,809.6	7,889.4

(*) Restated to conform with the presentation adopted for the fourth quarter of 2000.

Statement of consolidated cash flows

($ MILLIONS)	2000 Q1	Q2	Q3	Q4	YEAR	1999 Q1	Q2	Q3	Q4	YEAR	1998 Q1	Q2	Q3	Q4	YEAR
Operating activities															
Net income (loss)	85.1	95.6	95.8	255.8	532.3	61.3	(227.3)	112.0	120.9	66.9	69.9	90.2	89.1	113.2	362.4
Add (deduct) items not affecting cash flow															
Depreciation and amortization	77.2	76.9	78.2	72.4	304.7	76.9	76.7	75.2	63.7	292.5	68.9	71.4	68.9	69.8	279.0
Future income taxes (formerly Deferred income taxes)	34.8	48.5	54.8	(26.5)	111.6	29.4	(143.9)	48.1	82.4	16.0	20.9	40.1	57.1	37.6	155.7
Restructuring costs	–	–	–	–	–	–	472.2	–	–	472.2	–	–	–	–	–
Amortization of deferred charges	6.1	7.1	9.4	5.7	28.3	6.9	5.7	3.7	7.0	23.3	4.9	6.0	8.3	6.7	25.9
Gain on disposal of transportation properties	–	–	–	–	–	–	–	–	–	–	–	–	–	(44.4)	(44.4)
Other	–	1.4	–	(2.7)	(1.3)	–	–	–	(9.4)	(9.4)	–	–	–	(17.5)	(17.5)
Cash flow	203.2	229.5	238.2	304.7	975.6	174.5	183.4	239.0	264.6	861.5	164.6	207.7	223.4	165.4	761.1
Restructuring payments	(31.5)	(29.2)	(31.7)	(70.7)	(163.1)	(27.6)	(29.5)	(32.0)	(51.2)	(140.3)	(31.9)	(35.6)	(31.1)	(17.9)	(116.5)
Other operating activities, net	(97.9)	(51.8)	(52.2)	67.0	(134.9)	(15.8)	13.2	(30.3)	26.5	(6.4)	(14.9)	11.0	(13.6)	0.9	(16.6)
Change in non-cash working capital balances related to operations	(124.0)	51.2	27.1	44.7	(1.0)	(170.6)	2.6	66.2	59.9	(41.9)	(172.0)	84.1	32.3	107.5	51.9
Cash provided by (used in) operating activities	(50.2)	199.7	181.4	345.7	676.6	(39.5)	169.7	242.9	299.8	672.9	(54.2)	267.2	211.0	255.9	679.9

(*) Restated to conform with the presentation adopted for the fourth quarter of 2000.

Statement of consolidated cash flows

($ MILLIONS)	2000 Q1	Q2	Q3	Q4	YEAR	1999 Q1	Q2	Q3	Q4	YEAR	1998 Q1	Q2	Q3	Q4	YEAR
Investing activities															
Additions to properties (*)	(39.4)	(150.4)	(194.2)	(202.1)	(586.1)	(370.4)	(211.5)	(232.0)	(295.9)	(1,109.8)	(318.8)	(169.3)	(253.0)	(281.5)	(1,022.6)
Other investments	(0.7)	0.6	10.4	1.0	11.3	1.4	1.5	22.2	1.2	26.3	1.0	(0.8)	(16.4)	(18.9)	(35.1)
Net proceeds from disposal of transportation properties	7.2	29.4	2.7	(1.4)	37.9	(1.9)	5.2	(4.8)	9.4	7.9	(1.7)	7.2	(8.6)	68.5	65.4
Cash used in investing activities	(32.9)	(120.4)	(181.1)	(202.5)	(536.9)	(370.9)	(204.8)	(214.6)	(285.3)	(1,075.6)	(319.5)	(162.9)	(278.0)	(231.9)	(992.3)
Financing activities															
Dividends paid	–	(90.5)	–	(90.0)	(180.5)	–	–	(75.0)	(75.0)	(150.0)	–	–	–	–	–
Issuance of long-term debt	–	250.0	165.0	184.8	599.8	223.5	0.5	0.8	10.2	235.0	0.3	–	–	–	0.3
Repayment of long-term debt	(0.2)	(0.2)	(0.3)	(0.2)	(0.9)	(18.7)	(0.4)	(0.9)	(0.1)	(20.1)	(17.7)	(3.6)	(2.5)	(1.9)	(25.7)
Equity contribution from (to) affiliate	2.1	(2.1)	8.3	(6.8)	1.5	10.2	–	2.2	1.8	14.2	–	–	–	15.3	15.3
Advances from (to) affiliates	116.6	(162.4)	(178.8)	(254.7)	(479.3)	161.4	52.5	91.5	8.7	314.1	195.0	(65.1)	124.2	(344.1)	(90.0)
Cash provided by (used in) financing activities	118.5	(5.2)	(5.8)	(166.9)	(59.4)	376.4	52.6	18.6	(54.4)	393.2	177.6	(68.7)	121.7	(330.7)	(100.1)
Cash position															
Increase (decrease) in net cash	35.4	74.1	(5.5)	(23.7)	80.3	(34.0)	17.5	46.9	(39.9)	(9.5)	(196.1)	35.6	54.7	(306.7)	(412.5)
Net cash at beginning of period	40.0	75.4	149.5	144.0	40.0	49.5	15.5	33.0	79.9	49.5	462.0	265.9	301.5	356.2	462.0
Net cash at end of period	75.4	149.5	144.0	120.3	120.3	15.5	33.0	79.9	40.0	40.0	265.9	301.5	356.2	49.5	49.5

(*) Restated to conform with the presentation adopted for the fourth quarter of 2000.

Commodity data

	2000					1999					1998				
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR
Freight Revenues ($ millions)															
Grain	179.5	178.3	199.8	197.6	755.2	140.5	159.9	188.7	198.4	687.5	185.4	167.9	184.2	203.1	740.6
Coal, sulphur & fertilizers	226.1	196.9	188.7	201.9	813.6	219.9	198.8	190.5	202.0	811.2	246.7	235.8	212.1	207.3	901.9
Forest products	90.4	91.7	93.2	90.6	365.9	88.7	89.6	89.8	93.1	361.2	79.0	84.1	77.2	84.4	324.7
Industrial products	110.3	103.7	110.1	114.0	438.1	107.4	94.2	109.2	122.2	433.0	108.5	105.5	109.6	106.8	430.4
Intermodal	185.3	194.3	202.0	200.3	781.9	172.5	182.7	192.0	204.6	751.8	153.0	170.2	173.8	182.3	679.3
Automotive	77.5	87.7	62.4	77.8	305.4	68.0	72.5	59.7	78.7	278.9	57.9	67.2	45.9	67.3	238.3
	869.1	852.6	856.2	882.2	3,460.1	797.0	797.7	829.9	899.0	3,323.6	830.5	830.7	802.8	851.2	3,315.2
Revenue ton-miles (millions)															
Grain	6,384	5,972	6,489	6,484	25,329	4,386	5,366	5,945	6,218	21,915	5,928	5,007	5,443	6,221	22,599
Coal, sulphur & fertilizers	10,022	9,184	8,502	9,156	36,864	8,422	8,712	7,987	8,534	33,655	9,093	9,375	7,955	7,864	34,287
Forest products	2,913	2,995	2,853	2,741	11,502	2,552	2,721	2,727	2,775	10,775	2,195	2,356	2,166	2,386	9,103
Industrial products	3,494	3,241	3,250	3,364	13,349	3,044	2,813	3,171	3,471	12,499	2,958	2,850	2,989	2,940	11,737
Intermodal	5,084	5,360	5,187	5,147	20,778	4,262	4,641	4,953	5,270	19,126	3,579	4,070	4,189	4,450	16,288
Automotive	672	732	534	649	2,587	589	674	514	687	2,464	493	608	405	574	2,080
	28,569	27,484	26,815	27,541	110,409	23,255	24,927	25,297	26,955	100,434	24,246	24,266	23,147	24,435	96,094

Commodity data

	2000					1999					1998				
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR
Carloads (thousands)															
Grain	83.5	81.9	92.8	93.1	351.3	63.4	75.0	86.5	91.1	316.0	81.6	72.3	83.3	95.0	332.2
Coal, sulphur & fertilizers	133.5	123.3	117.7	124.6	499.1	129.4	130.3	125.3	128.8	513.8	147.1	141.8	129.1	129.0	547.0
Forest products	47.1	46.0	44.1	42.1	179.3	44.5	44.9	44.5	43.2	177.1	41.5	42.0	38.7	40.9	163.1
Industrial products	76.4	71.4	69.0	69.4	286.2	75.6	73.1	67.5	76.6	292.8	74.3	73.8	74.1	73.4	295.6
Intermodal	222.1	228.0	227.3	226.5	903.9	198.7	217.6	218.3	232.8	867.4	172.0	194.3	195.4	206.1	767.8
Automotive	45.4	50.7	36.4	42.3	174.8	40.6	44.5	35.6	42.4	163.1	33.8	37.3	28.3	39.9	139.3
	608.0	601.3	587.3	598.0	2,394.6	552.2	585.4	577.7	614.9	2,330.2	550.3	561.5	548.9	584.3	2,245.0
Revenue per Revenue ton-mile (cents)															
Grain	2.81	2.99	3.08	3.05	2.98	3.20	2.98	3.17	3.19	3.14	3.13	3.35	3.38	3.26	3.28
Coal, sulphur & fertilizers	2.26	2.14	2.22	2.21	2.21	2.61	2.28	2.39	2.37	2.41	2.71	2.52	2.67	2.64	2.63
Forest products	3.10	3.06	3.27	3.31	3.18	3.48	3.29	3.29	3.35	3.35	3.60	3.57	3.56	3.54	3.57
Industrial products	3.16	3.20	3.39	3.39	3.28	3.53	3.35	3.44	3.52	3.46	3.67	3.70	3.67	3.63	3.67
Intermodal	3.64	3.63	3.89	3.89	3.76	4.05	3.94	3.88	3.88	3.93	4.27	4.18	4.15	4.10	4.17
Automotive	11.53	11.98	11.69	11.99	11.81	11.54	10.76	11.61	11.46	11.32	11.74	11.05	11.33	11.72	11.46
	3.04	3.10	3.19	3.20	3.13	3.43	3.20	3.28	3.34	3.31	3.43	3.42	3.47	3.48	3.45

Operating data

	2000					1999					1998				
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR
Gross ton-miles (millions)	53,435	52,982	51,363	52,939	210,719	44,437	47,560	47,855	52,354	192,206	44,920	46,551	44,107	47,001	182,579
Revenue ton-miles (millions)	28,569	27,484	26,815	27,541	110,409	23,255	24,927	25,297	26,955	100,434	24,246	24,266	23,147	24,435	96,094
Number of active employees at period end	17,842	18,319	18,095	17,519	17,519	18,850	19,711	19,446	18,150	18,150	19,123	20,498	20,419	19,323	19,323
Miles of road operated at end of period	14,343	14,356	13,991	13,959	13,959	14,302	14,230	14,474	14,358	14,358	15,082	14,940	14,896	14,456	14,456
Diesel fuel consumed (Freight & Yard) (million U.S. gallons)	72	69	65	68	274	68	66	63	69	266	72	68	63	70	273
Average fuel cost per U.S. gallon (including taxes) $	1.42	1.43	1.54	1.60	1.50	0.95	0.99	1.06	1.22	1.06	1.07	1.05	0.99	1.00	1.03
FRA personal injuries per 200,000 employee hours	4.6	3.6	3.6	4.1	3.9	4.0	4.4	4.7	4.7	4.4	4.5	3.9	4.7	4.7	4.5
FRA train accidents per million train miles	1.8	1.5	2.4	2.1	2.0	2.1	3.2	1.5	1.3	2.1	1.7	2.5	2.7	1.8	2.2
Average train speed (miles per hour)	26.9	26.9	27.3	26.2	26.8	28.2	28.4	27.0	26.7	27.5	29.0	28.8	28.6	29.2	29.0
Average train weights (tons)	5,365	5,390	5,410	5,375	5,386	4,766	4,945	5,255	5,439	5,102	4,828	4,936	4,841	4,862	4,867
Carloads originated (thousands)(*)	519.9	512.3	505.3	514.5	2,052.0	461.0	495.8	496.8	523.6	1,977.2	459.5	476.1	465.0	491.5	1,892.1
Carloads received (thousands) (*)	88.1	89.0	82.0	83.5	342.6	91.2	89.6	80.9	91.3	353.0	90.8	85.4	83.9	92.8	352.9
Revenue tons carried (thousands)	37,380	36,310	35,976	36,646	146,312	33,567	35,342	35,319	37,186	141,414	36,082	35,417	34,629	36,210	142,338
Metrics															
GTMs per mile of road operated (thousands)	3,726	3,691	3,671	3,792	15,096	3,107	3,342	3,306	3,646	13,387	2,978	3,116	2,961	3,251	12,630
GTMs per average active employee (thousands)	3,019	2,922	2,804	2,990	11,729	2,354	2,434	2,427	2,828	10,031	2,376	2,305	2,156	2,366	9,196
Diesel fuel consumption (U.S. gallons per 1,000 GTMs)	1.35	1.30	1.24	1.30	1.30	1.53	1.37	1.32	1.30	1.38	1.60	1.47	1.44	1.49	1.50
GTMs per available horsepower per day	195	198	206	202	200	152	171	179	193	174	146	153	153	160	153

(*) Carloads include intermodal units

Plant and equipment

	2000	1999	1998	1997	1996
Capital Program ($ millions)					
Road	378.6	501.6	527.8	436.3	333.6
Equipment	74.0	236.7	400.4	311.4	152.9
Information Systems	118.6	104.7	166.1	110.3	59.8
Total Capital Program	571.2	843.0	1,094.3	858.0	546.3
Total assets ($ millions)	8,808.2	8,369.2	7,889.4	7,344.2	7,821.9
Track Installations					
Cross ties installed (thousands)	978	1,071	1,103	970	835
Track miles of rail laid	303	342	386	352	393
Equipment Inventory					
Number of freight cars (owned and long-term leases)	45,400	47,900	51,900	53,000	54,000
Locomotive Fleet (freight and switching)					
Number of locomotives (owned and long-term leases)	1,565	1,587	1,641	1,619	1,615
Number of locomotives (short-term leases)	3	5	81	184	210
Total Locomotive Fleet	1,568	1,592	1,722	1,803	1,825

Debt outstanding at December 31, 2000

	$ MM	MATURITY	RATING AS AT DECEMBER 31, 2000		CUSIP NUMBER
6.875% Debentures	$US 250	April 15, 2003	DBRS S&P Moody's	BBB BBB+ Baa2	136440AP9
9.450% Debentures	$US 250	August 1, 2021	DBRS S&P Moody's	BBB BBB+ Baa2	136440AL8
8.850% Debentures	$US 250	June 01, 2022 Callable starting June 01, 2002	DBRS S&P Moody's	BBB BBB+ Baa2	136440AN4
6.910% Secured equipment notes	$CDN 235	April 1, 2005 – October 1, 2024	CBRS S&P	A A	13645RAA2
7.20% Medium-term notes Series 1	$CDN 250	June 28, 2005	DBRS S&P	BBB BBB+	13644ZAA5
Secured equipment loan	$CDN 165	February 1, 2001 – August 4, 2015			
7.49% Equipment Trust Certificates	$US 120	July 15, 2005 – January 15, 2021	S&P	A	
4% Perpetual consolidated debenture stock	$US 32 £ 6		CBRS S&P Moody's	A AA – Aa2	U.S. issue 136447AW9 Pound sterling issue 136447AX7
Obligations under capital leases	$US 169	2001 – 2014			

For further detail, please see note 13 of the notes to the consolidated financial statements of Canadian Pacific Railway Company's 2000 annual report.

Directors

NAME AND MUNICIPALITY OF RESIDENCE	POSITION HELD
S.E. Bachand (2) Ponte Verde Beach, Florida	Former President and Chief Executive Officer, Canadian Tire Corporation, Limited
D. Cohen, C.M., LL.D. (2) Ayers Cliff, Quebec	President, Dian Cohen Productions Ltd.
A.A. MacNaughton (1) Danville, California	President, Genstar Investment Corporation
J.D. McNeil (1)(2) Toronto, Ontario	Chairman, Executive Committee, and Director, Sun Life Assurance Company of Canada and Sunlife Financial Services Company of Canada
J.E. Newall, O.C. (1) Calgary, Alberta	Chairman, NOVA Chemicals Corporation
D.P. O'Brien (1) Calgary, Alberta	Chairman, President and Chief Executive Officer, Canadian Pacific Limited; Chairman of the Board, Canadian Pacific Railway Company
M.E.J. Phelps (2) West Vancouver, British Columbia	Chairman and Chief Executive Officer, Westcoast Energy Inc.
R. Phillips, O.C. (2) Regina, Saskatchewan	President and Chief Executive Officer, IPSCO Inc.
R.D. Southern, C.M., C.B.E., LL.D. Calgary, Alberta	Co-Chairman and Chief Executive Officer, ATCO Ltd. and Canadian Utilities Limited
A.R. Taylor, O.C. (1) Toronto, Ontario	Retired Chairman and Chief Executive Officer, The Royal Bank of Canada
C. Taylor Vancouver, British Columbia	Former Chair of Canada Ports Corporation and Vancouver Port Corporation
The Rt. Hon., The Viscount Weir London, England	Chairman, Balfour Beatty, plc.

(1) Member of the Executive Committee
(2) Member of the Audit Committee

The Company has an Executive Committee, and as required, an Audit Committee. The members of these committees are noted above.

Executive Committee

NAME AND MUNICIPALITY OF RESIDENCE	POSITION HELD
Robert J. Ritchie Calgary, Alberta	President and Chief Executive Officer
E.V. (Ed) Dodge Calgary, Alberta	Executive Vice-President, Operations
J. Hugh MacDiarmid Calgary, Alberta	Executive Vice-President, Commercial
M.T. (Mike) Waites Calgary, Alberta	Executive Vice-President and Chief Financial Officer
Allen H. Borak Calgary, Alberta	Vice-President, Information Services
Paul Clark Calgary, Alberta	Vice-President, Communications and Public Affairs
R. Andrew Shields Calgary, Alberta	Vice-President, Human Resources and Industrial Relations
Marcella M. Szel, Q.C. Calgary, Alberta	Vice-President, Strategy and Law, Corporate Secretary

Designed and produced by: SMITH + ASSOCIATES

If you wish to obtain additional copies of this report, kindly write to the Executive Vice-President and Chief Financial Officer at the address indicated below.

M.T. (Mike) Waites
Executive Vice-President and
Chief Financial Officer,
Canadian Pacific Railway Company
Suite 500, Gulf Canada Square
401 – 9th Avenue SW
Calgary, Alberta T2P 4Z4
Canada

Executive Committee

NAME AND MUNICIPALITY OF RESIDENCE	POSITION HELD
Robert J. Ritchie Calgary, Alberta	President and Chief Executive Officer
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Marcella M. Szel, Q.C. Calgary, Alberta	Vice-President, Strategy and Law, Corporate Secretary

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CANADIAN
PACIFIC
RAILWAY

News

For immediate release: July 19, 2001 www.cpr.ca

CPR Reports Increased Second Quarter Operating Income of $206 million

CALGARY -- Canadian Pacific Railway Company (CPR) today announced second quarter operating income of $206 million, up slightly from last year's record quarter. The operating ratio for the quarter was 77.9 per cent, an increase of half a percentage point from the same period last year. Net income declined slightly to $95 million compared to $96 million for the second quarter of 2000.

"The results of this quarter show once again that CPR can perform under challenging economic and operating conditions," said Robert J. Ritchie, President and Chief Executive Officer of CPR. "We improved our operating income, achieving record volumes, fuel efficiency, locomotive utilization and train weights, all at a time of uncertainty in the economy, ongoing high energy prices and difficult operating conditions caused by floods. This is further evidence of our ability to be a cost effective train operation that is delivering quality service to our customers."

Compared to the second quarter of 2000, volumes increased 2 per cent, fuel consumption improved 5 per cent, locomotive utilization was up 6 per cent, and average train weights were up 4 per cent.

Second quarter revenues rose $27 million, or 3 per cent, to $931 million compared to the second quarter of 2000. The coal, sulphur and fertilizers group reported the largest growth this quarter, with revenues rising $28 million, or 14 per cent, as a result of the strong demand for coal on the world markets. Industrial products revenues were up $5 million, or 4 per cent, largely due to the strong market for plastics compared to last year. The intermodal group, the fastest growing segment of CPR's business, reported an increase in revenues of $5 million, or 2 per cent, driven by higher domestic shipments from major retailers. In response to intermodal growth, CPR is investing $36 million this year, to handle increased demand for capacity at the Toronto and Calgary intermodal facilities.

Overall, revenue growth for the quarter more than offset the combined negative impacts of the revenue cap on Canadian grain, which came into effect in August 2000, and the softer economic conditions experienced in the automotive and forest products sectors.

Operating expenses for the quarter increased $26 million, or 4 per cent, to $726 million, largely due to a 2 per cent increase in volumes, flooding in the Midwest U.S. and higher energy costs. The floods caused diversions, which resulted in higher labour, fuel, and equipment rent expenses as well as increased switching and haulage payments.

Year-to-date operating income decreased $33 million, or 9 per cent, to $358 million from the comparable period in 2000, excluding this year's spin-off related and incentive compensation charges, with all of the deterioration occurring in the first quarter. CPR's operating ratio was 80.7 per cent, an increase of 2.2 percentage points over the previous year. Net income decreased by $18 million, or 10 per cent, to $163 million, reflecting the difficult operating conditions in the first half of this year.

Revenues for the first half of the year increased by $33 million, or 2 per cent from last year, a result of strong gains in coal and domestic intermodal revenues. The softer economy had a negative impact on automotive and forest products revenues. The increase in year-to-date operating expenses of 5 per cent was a combined result of the harsh weather in the East and Midwest U.S. and the increase in energy prices.

"By the end of the second quarter, the Company had largely implemented the cost reduction initiatives announced earlier in the year, and we expect to see the full impact of these in the second half of 2001," said Mr. Ritchie.

As announced by Canadian Pacific Limited on June 13, 2001, Canadian Pacific Railway intends to pay a special distribution of approximately $700 million as part of the planned reorganization of Canadian Pacific. It is anticipated that this payment will occur during the third quarter of 2001.

Canadian Pacific Railway is North America's first transcontinental railway, and is the only transcontinental carrier with direct service to the U.S. Eastern Seaboard. CPR's 14,000-mile network serves the principal centres of Canada, from Montreal to Vancouver, as well as the U.S. Midwest and Northeast regions, and links North America with Europe and the Pacific Rim. Alliances with other carriers extend CPR's market reach beyond its own network in the U.S., and into the major business centres of Mexico.

NOTE: This news release contains forward-looking information. Actual future results may differ materially. The risks, uncertainties and other factors that could influence actual results are described in the Company's annual report and annual information form.

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References: Media: Paul Clark, Calgary (403) 319-3289
Analysts: Paul Bell, Calgary (403) 319-7575

CANADIAN PACIFIC RAILWAY

STATEMENT OF CONSOLIDATED INCOME
FOR THE SIX MONTHS ENDED JUNE 30
(in millions of Canadian dollars)

	2001 (unaudited)	2000 (unaudited)
Revenues		
Freight	1,755.4	1,721.7
Other	94.3	95.0
Total revenues	1,849.7	1,816.7
Operating expenses		
Compensation and benefits	583.1	583.3
Fuel	217.2	201.2
Materials	109.3	114.2
Equipment rents	139.3	131.1
Depreciation and amortization	164.1	154.1
Purchased services and other	279.1	241.9
Total operating expenses	1,492.1	1,425.8
Operating income before the following:	357.6	390.9
Spin-off related and incentive compensation charges (Note 2)	15.6	-
Operating income	342.0	390.9
Other charges	20.6	15.8
Interest expense	92.1	77.9
Income tax expense	66.1	116.5
Net income	163.2	180.7

CANADIAN PACIFIC RAILWAY

STATEMENT OF CONSOLIDATED INCOME
FOR THE THREE MONTHS ENDED JUNE 30
(in millions of Canadian dollars)

	2001 (unaudited)	2000 (unaudited)
Revenues		
Freight	876.1	852.6
Other	55.3	51.4
Total revenues	931.4	904.0
Operating expenses		
Compensation and benefits	286.8	278.5
Fuel	103.7	98.1
Materials	45.6	58.4
Equipment rents	70.3	71.2
Depreciation and amortization	82.3	76.9
Purchased services and other	137.1	116.7
Total operating expenses	725.8	699.8
Operating income before the following:	205.6	204.2
Spin-off related and incentive compensation charges (Note 2)	-	-
Operating income	205.6	204.2
Other charges	13.5	10.0
Interest expense	46.5	38.1
Income tax expense	50.8	60.5
Net income	94.8	95.6

CANADIAN PACIFIC RAILWAY

CONSOLIDATED BALANCE SHEET
(in millions of Canadian dollars)

	JUNE 30 2001 (unaudited)	DECEMBER 31 2000 (audited)
ASSETS		
Current assets		
Cash and short-term investments	140.4	120.3
Accounts receivable	523.6	495.3
Advances to affiliate	195.9	-
Materials and supplies	125.3	131.0
Future income taxes	82.8	82.8
	1,068.0	829.4
Investments	114.9	105.2
Net properties (Note 3)	7,493.4	7,389.3
Other assets and deferred charges	518.4	484.3
Total assets	9,194.7	8,808.2
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	984.7	1,023.5
Income and other taxes payable	97.2	158.1
Long-term debt maturing within one year	7.5	3.1
	1,089.4	1,184.7
Deferred liabilities	688.9	731.8
Long-term debt	2,717.3	2,276.3
Advances from affiliates	-	50.0
Future income taxes	1,000.5	937.7
Deferred income credits	76.1	64.9
Shareholder's equity		
Ordinary Shares Issued - 347,169,909 shares	1,812.5	1,812.5
Contributed surplus	291.1	299.4
Foreign currency translation adjustments	89.1	84.3
Retained income	1,429.8	1,366.6
	3,622.5	3,562.8
Total liabilities and shareholder's equity	9,194.7	8,808.2

CANADIAN PACIFIC RAILWAY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30
(in millions of Canadian dollars)

	2001 (unaudited)	2000 (unaudited)
Operating activities		
Net income	163.2	180.7
Add (deduct) items not affecting cash flow		
Depreciation and amortization	164.1	154.1
Future income taxes	69.4	83.3
Amortization of deferred charges	18.7	13.2
Other	(5.5)	1.4
Cash flow	409.9	432.7
Restructuring payments	(55.2)	(60.7)
Other operating activities, net	(40.6)	(149.7)
Change in non-cash working capital balances related to operations	(108.8)	(72.8)
Cash provided by operating activities	205.3	149.5
Investing activities		
Additions to properties	(194.5)	(189.8)
Other investments	1.8	(0.1)
Net proceeds (costs) from disposal of transportation properties	(12.1)	36.6
Cash used in investing activities	(204.8)	(153.3)
Financing activities		
Dividends paid	(100.0)	(90.5)
Issuance of long-term debt	375.3	250.0
Repayment of long-term debt	(1.5)	(0.4)
Equity contribution to affiliate	(8.3)	-
Advances to affiliates	(245.9)	(45.8)
Cash provided by financing activities	19.6	113.3
Cash position		
Increase in net cash	20.1	109.5
Net cash at beginning of period	120.3	40.0
Net cash at end of period	140.4	149.5

CANADIAN PACIFIC RAILWAY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30
(in millions of Canadian dollars)

	2001 (unaudited)	2000 (unaudited)
Operating activities		
Net income	94.8	95.6
Add (deduct) items not affecting cash flow		
Depreciation and amortization	82.3	76.9
Future income taxes	54.1	48.5
Amortization of deferred charges	8.2	7.1
Other	(5.5)	1.4
Cash flow	233.9	229.5
Restructuring payments	(29.8)	(29.2)
Other operating activities, net	(21.9)	(51.8)
Change in non-cash working capital balances related to operations	35.4	51.2
Cash provided by operating activities	217.6	199.7
Investing activities		
Additions to properties	(164.5)	(150.4)
Other investments	0.6	0.6
Net proceeds (costs) from disposal of transportation properties	(8.6)	29.4
Cash used in investing activities	(172.5)	(120.4)
Financing activities		
Dividends paid	(50.0)	(90.5)
Issuance of long-term debt	375.3	250.0
Repayment of long-term debt	(0.2)	(0.2)
Equity contribution to affiliate	-	(2.1)
Advances to affiliates	(349.9)	(162.4)
Cash used in financing activities	(24.8)	(5.2)
Cash position		
Increase in net cash	20.3	74.1
Net cash at beginning of period	120.1	75.4
Net cash at end of period	140.4	149.5

CANADIAN PACIFIC RAILWAY

STATEMENT OF CONSOLIDATED RETAINED INCOME
FOR THE SIX MONTHS ENDED JUNE 30
(in millions of Canadian dollars)

	2001 **(unaudited)**	2000 (unaudited)
Balance, January 1, as previously reported	1,366.6	959.8
Prior period adjustment	-	55.0
Balance, January 1, as restated	1,366.6	1,014.8
Net income for the period	163.2	180.7
Dividends declared		
Ordinary Shares	(100.0)	(90.5)
Balance, June 30	1,429.8	1,105.0

1. Basis of presentation

These unaudited interim consolidated financial statements and notes have been prepared using accounting policies that are consistent with the policies used in preparing Canadian Pacific Railway Company's 2000 annual consolidated financial statements and should be read in conjunction with the annual financial statements.

2. Reorganization

On February 12, 2001, the Board of Directors of Canadian Pacific Limited ("CPL") approved a major reorganization that is intended to create five separate publicly traded companies, including Canadian Pacific Railway Company ("CPR"). Under the plan, CPL intends to distribute to its common shareholders its investment in CPR, in order to create a separate public company. The distribution will be implemented under a Plan of Arrangement, contingent upon approval of CPL's shareholders, court approval, a favourable Canadian tax ruling relating to taxation of shareholders on the transaction, and other requisite consents. At June 30, 2001, CPR recorded $15.6 million in spin-off related and incentive compensation charges.

3. Net properties

During the six months ended June 30, 2001, capital assets were acquired at an aggregate cost of $250.5 million (2000 - $174.9 million) of which $64.2 million were acquired by means of capital leases. Cash payments related to capital purchases were $194.5 million during 2000 (1999 - $189.8 million), which in 2000 and 1999 included payments for capital purchases included in accounts payable prior to 1998. Under the old CICA recommendation for statement of changes in financial position, it was appropriate to include non-cash capital purchases in additions to property; thus, included in additions to property in 1998 and 1997 were non-cash capital purchases of $71.7 million and $221.1 million, respectively. Cash payments for these purchases were made during 1999, 2000 and 2001. At June 30, 2001, $NIL remained in accounts payable related to the above purchases.

4. Restructuring charges and environmental remediation

At June 30, 2001, the provision for restructuring and environmental remediation was $619.6 million ($676.9 million at December 31, 2000). This provision primarily includes labour liabilities for restructuring plans that are in many cases substantially implemented. The majority of the provision consists of expected residual payments to protected employees and the cost of a multi-year soil remediation program.

During the second quarter, the Company announced an additional restructuring initiative to reduce costs by eliminating 500 positions. The reductions are occurring mostly in administrative areas, but also affect most operating areas, particularly fleet maintenance. The new initiative required an increase to the provision of $59.5 million. This change was offset by a net reduction of $65.0 million of previously accrued initiatives. The reductions resulted from a decrease in the number of surplus crews due to increases in traffic volumes, modifications to branchline rationalization plans resulting from changes in the regulatory environment, and reduced rationalization costs stemming from rule modifications in the latest collective agreements.

5. Reclassification

Certain prior year's figures have been reclassified to conform with the presentation adopted for 2001.

6. Consolidated financial ratios

The following ratios are provided in connection with CPR's continuous offering of medium-term notes, and are based on the consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in Canada. The asset coverage ratios are calculated as at the dates indicated, and the interest coverage ratios are for the 12-month period then ended.

	June 30 2001	December 31 2000
Interest coverage on long-term debt (times)		
Income before unusual items	4.3	4.7
Income after unusual items	4.2	4.7
Net tangible asset coverage on long-term debt (times)		
Before the effect of future income taxes	2.7	2.9
After the effect of future income taxes	2.3	2.5

Other Issues

Financial Updates

Operating activities

Cash provided by operating activities for the six months ended June 30, 2001 was up $55 million from the same period in fiscal 2000, to $205 million, largely due to certain rolling stock which had been acquired during the first six months of fiscal 2000 and was being held for sale pending a sale-lease back agreement with a third party.

As at June 30, 2001, employee reductions related to all prior restructuring initiatives, including the 1999 initiatives, were substantially complete, although ongoing employment security payments related to these reductions will continue into future years.

During the second quarter of 2001, CPR announced an additional restructuring initiative to reduce costs by eliminating 500 positions. The reductions are occurring mostly in administrative areas, but also affect most operating areas.

Investing activities

Cash used in investing activities for the six month period ended June 30, 2001 of $204.8 million, increased $51.5 million compared to the same period in 2000 as there were no significant proceeds from disposal of transportation properties in 2001.

At June 30, 2001, CPR had committed to future capital expenditures amounting to $201.5 million.

Financing activities

Cash provided by financing activities during the six months ended June 30, 2001 was $19.5 million, down $93.7 million from the same period in 2000 as CPR advanced funds to CPL.

The company has available, as sources of financing, credit facilities of up to $1.4 billion as well as $450 million from a shelf prospectus.

Balance sheet

At June 30, 2001, CPR's assets totaled $9,194.7 million, an increase of $387 million from $8,808 million at December 31, 2000. The change was primarily attributable to an increase in net properties from net capital additions and advances to affiliated companies during the period.

Financial Updates (continued)

Forward foreign currency exchange contracts

At June 30, 2001, CPR had entered into foreign exchange contracts to sell approximately US$285.0 million at exchange rates ranging from 1.30 to 1.45 over the years 2001 to 2002, with an unrealized loss of CDN$20.4 million.

Commodity contracts

At June 30, 2001, the company had entered into crude oil futures contracts to hedge 45% of its fuel requirements for the second half of 2001 at an average price of US$26.11 per barrel.

Labour Issues

CPR currently has settlements in place with 77 per cent of its unionized workforce in North America. In Canada, CPR has agreements in place with six of its seven labour organizations. Of the six, three extend to the end of 2002, two extend to the end of 2003 and one extends to the end of 2004. On CPR's Soo Line subsidiary, all 16 bargaining units are up for re-negotiation. On the Delaware and Hudson subsidiary, agreements are in place with 12 of the 14 bargaining units.

Canadian Pacific Railway

Summary of Rail Data

Second Quarter 2001	Second Quarter 2000	Variance	%	Financial (millions)	Year-to-date 2001	Year-to-date 2000	Variance	%
				Revenues				
$876.1	$852.6	$23.5	2.8	Freight	$1,755.4	$1,721.7	$33.7	2.0
55.3	51.4	3.9	7.6	Other	94.3	95.0	(0.7)	(0.7)
$931.4	$904.0	$27.4	3.0		$1,849.7	$1,816.7	$33.0	1.8
				Expenses				
$286.8	$278.5	$8.3	3.0	Compensation and benefits	$583.1	$583.3	($0.2)	(0.0)
103.7	98.1	5.6	5.7	Fuel	217.2	201.2	16.0	8.0
45.6	58.4	(12.8)	(21.9)	Materials	109.3	114.2	(4.9)	(4.3)
70.3	71.2	(0.9)	(1.3)	Equipment rents	139.3	131.1	8.2	6.3
82.3	76.9	5.4	7.0	Depreciation and amortization	164.1	154.1	10.0	6.5
137.1	116.7	20.4	17.5	Purchased services and other	279.1	241.9	37.2	15.4
$725.8	$699.8	$26.0	3.7		$1,492.1	$1,425.8	$66.3	4.7
$205.6	$204.2	$1.4	0.7	Operating income before the following:	$357.6	$390.9	($33.3)	(8.5)
-	-	-	-	Spin-off related and incentive compensation charges	$15.6	-	$15.6	-
77.9	77.4	0.5	-	Operating ratio before spin-off related and incentive compensation charges (%)	80.7	78.5	2.2	-
				Freight Traffic				
				Freight Revenues (millions)				
$172.5	$178.3	($5.8)	(3.3)	- Grain	$364.5	$357.8	$6.7	1.9
224.5	196.9	27.6	14.0	- Coal, sulphur & fertilizers	440.8	423.0	17.8	4.2
89.5	91.7	(2.2)	(2.4)	- Forest products	177.8	182.1	(4.3)	(2.4)
108.3	103.7	4.6	4.4	- Industrial products	220.0	214.0	6.0	2.8
198.9	194.3	4.6	2.4	- Intermodal	398.5	379.6	18.9	5.0
82.4	87.7	(5.3)	(6.0)	- Automotive	153.8	165.2	(11.4)	(6.9)
$876.1	$852.6	$23.5	2.8	Total Freight Revenues	$1,755.4	$1,721.7	$33.7	2.0
				Millions of Revenue Ton Miles (RTMs)				
5,769	5,972	(203)	(3.4)	- Grain	12,499	12,356	143	1.2
10,661	9,184	1,477	16.1	- Coal, sulphur & fertilizers	20,748	19,206	1,542	8.0
2,757	2,995	(238)	(7.9)	- Forest products	5,452	5,908	(456)	(7.7)
3,341	3,241	100	3.1	- Industrial products	6,708	6,735	(27)	(0.4)
5,101	5,360	(259)	(4.8)	- Intermodal	10,044	10,444	(400)	(3.8)
686	732	(46)	(6.3)	- Automotive	1,281	1,404	(123)	(8.8)
28,315	27,484	831	3.0	Total RTMs	56,732	56,053	679	1.2
				Operations & Productivity				
54,104	52,982	1,122	2.1	Freight gross ton miles (millions)	107,386	106,417	969	0.9
17,421 *	18,319	(898)	(4.9)	Number of active employees at end of period	17,421 *	18,319	(898)	(4.9)
13,938	14,356	(418)	(2.9)	Miles of road operated at end of period	13,938	14,356	(418)	(2.9)
3,097	2,922	175	6.0	GTMs per average active employee (000)	6,242	5,940	302	5.1
3,882	3,691	191	5.2	GTMs per mile of road operated (000)	7,705	7,413	292	3.9
210	198	12	6.1	GTMs per available horsepower per day	205	196	9	4.6
3.09	3.10	(0.01)	(0.3)	Freight revenue per RTM (cents)	3.09	3.07	0.02	0.7
2.56	2.55	0.01	0.4	Total operating expenses per RTM (cents)	2.63	2.54	0.09	3.5
1.34	1.32	0.02	1.5	Total operating expenses per GTM (cents)	1.39	1.34	0.05	3.7
5,590	5,390	200	3.7	Average train weights (tons)	5,519	5,378	141	2.6
25.9	26.9	(1.0)	(3.7)	Average train speed (mph)	26.1	26.9	(0.8)	(3.0)
1.24	1.30	(0.06)	(4.6)	U.S. Gallons of fuel per 1,000 GTMs	1.27	1.32	(0.05)	(3.8)
4.0	3.6	0.4	11.1	FRA personal injuries per 200,000 empl hours	4.1	4.0	0.1	2.5
1.4	1.5	(0.1)	(6.7)	FRA train accidents per million train miles	1.9	1.6	0.3	18.8

* Includes the impact of transferring approximately 600 employees to ALSTOM.

CANADIAN
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News

For immediate release: April 24, 2001 www.cpr.ca

CPR REPORTS NET INCOME OF $68 MILLION

CALGARY -- Canadian Pacific Railway Company (CPR) announced today first quarter net income of $68 million, down $17 million from a record first quarter of 2000. Operating income, excluding $16 million spin-off related and incentive compensation charges, was $152 million, down $35 million from the same period last year.

"We are very pleased that our revenues were up modestly in the first quarter, even though the economy was slowing and it was a tough winter for our operations," said Robert Ritchie, President and Chief Executive Officer, CPR. "In line with actions we have taken in the past, we are aggressively moving to drive down costs for the remainder of the year. Our actions include eliminating all discretionary spending, accelerating cost reduction programs and reducing some of our workforce through a hiring freeze, attrition, selective layoffs and terminations. Subject to the performance of the North American economy, we still expect year over year improvement in our operating income."

In the first quarter, CPR's revenues increased by $6 million, or 1 per cent, to $918 million, compared with the same period last year. This improvement was largely driven by an increase in bulk and domestic intermodal traffic. Grain revenues showed growth due to the strong demand for durum and wheat in the United States. Coal revenues posted significant gains from CPR's served facilities in southeastern B.C., and from the overall strong demand for export coal. Intermodal revenues also rose as domestic shipments for major retailers were stronger than last year's quarter. The strength in these sectors more than offset the impact of the revenue grain cap on Canadian grain and the softening economy on fertilizer, automotive and forest products revenues.

"I'm particularly pleased about our continued growth in the service-sensitive intermodal business. This demonstrates once again that our investments in intermodal equipment and facilities were the right ones, and at the right time," said Mr. Ritchie.

Operating expenses, excluding spin-off costs, increased $40 million, or 6 per cent, from the first quarter of 2000, largely a result of harsh winter conditions in the east and mid-west. Higher fuel and energy prices also contributed to the increase. Despite the difficult operating conditions in the first quarter, CPR continued to improve train operations, compared to the same period last year. Locomotive utilization improved 3 per cent, fuel consumption improved 4 per cent, train weights increased by 2 per cent, and gross ton-miles per employee, a key productivity measure, increased 4 per cent.

Excluding spin-off costs, the operating ratio was 83.4 per cent, an increase of 3.9 percentage points from the first quarter of 2000. Income tax expense was down, the combined result of various reductions in provincial tax rates and the amalgamation on January 1, 2001 of CPR and its Canadian subsidiary, St. Lawrence & Hudson Railway Company Limited.

OTHER ISSUES

Canadian Pacific Limited Spin-off

In February 2001, CPR's parent company, Canadian Pacific Limited (CPL), announced its intention to divide the company into five separate companies, all of which will be publicly traded. Under the proposed reorganization, to be implemented through a Plan of Arrangement, CPL intends to distribute its 100 per cent interest in CPR along with its interest in four other subsidiaries, to holders of CPL's common shares. After the reorganization, shareholders will have shares in five separate public companies and CPR will become an independent, publicly owned company.

The reorganization will require shareholder and court approvals, and favourable Canadian tax rulings. Bank credit facilities totaling $3 billion for CPL and some of the subsidiaries have been arranged to ensure liquidity and the companies' ability to continue meeting their capital commitments during this process. CPL intends to capitalize each company with debt and equity based on anticipated growth prospects appropriate for the specific industry. The amount of a special one-time dividend that CPR will pay its parent is still to be determined.

The spin-off costs recognized by CPR in the first quarter of 2001 mainly relate to costs likely to be incurred under long-term incentive plans, which vary with the market value of CPL's common shares.

Intermodal Growth Opportunities

There has been momentum in CPR's Expressway service. Recently, CPR and Hudson's Bay Company signed a deal that will eliminate 16,000 trailers a year from the highway between Toronto and Montreal and put them on Expressway trains. DaimlerChrysler also became the first auto manufacturer to put auto parts on Expressway trains in the high-volume Detroit-Toronto corridor.

Expressway is a fast roll-on/roll-off service for moving truck trailers by train in the Montreal-Toronto-Detroit corridor. Using specially built rail platforms and operating on tightly controlled schedules, Expressway offers truckers a fast, reliable alternative to congested highways. It is the only rail service that can handle non-reinforced truck trailers. Expressway service also reduces highway congestion and greenhouse gas emissions.

ALSTOM Acquires Ogden Shops

CPR announced that ALSTOM, a leading worldwide rail equipment and services supplier, will handle the management and operation of the Ogden Shops repair and maintenance facility in Calgary. Under an agreement expected to close on May 1, 2001, ALSTOM will purchase the inventory and equipment at CPR's Ogden Shops and will lease the buildings. It plans to make Ogden Shops a Western Canadian base for the northwest region of North America. ALSTOM will serve the ongoing repair and maintenance needs of CPR at Ogden and CPR expects to benefit from economies of scale as ALSTOM grows the business. Ogden Shops was CPR's largest facility for major repairs, overhauls and scheduled maintenance on locomotives and freight cars.

Labour

The union representing car and locomotive repair employees signed a tentative agreement in March. When ratified, CPR will have settled with six of seven labour organizations in Canada.

In the U.S., renewal settlements have not been concluded by any of the Class 1 carriers. On CPR's Soo Line subsidiary, all 16 bargaining units were up for renegotiation at the end of 1999.

On the Delaware and Hudson subsidiary, agreements are in place with 9 of the 14 bargaining units.

Including the ratification of the car and locomotive repair employees in Canada, CPR will have settlements in place with 78 per cent of its unionized workforce in North America.

CPR provides rail and intermodal freight transportation services coast to coast over a 14,000-mile network extending from Montreal to Vancouver, and throughout the U.S. Midwest and Northeast. Serving ports on the east coasts of Canada and the U.S. and the Port of Vancouver, CPR links North America with European and Pacific Rim markets, moving large volumes of import and export goods across the continent. Commercial alliances with other carriers extend CPR's market reach across Mexico, the U.S. and Canada. CPR is a wholly owned subsidiary of Canadian Pacific Limited.

Note: This news release contains forward-looking information. Actual future results may differ materially. The risks, uncertainties and other factors that could influence actual results are described in the company's annual report and annual information form.

References: Media: Len Cocolicchio, Calgary (403) 319-7591
Analysts: Sheila McIntosh, Calgary (403) 218-8060

CANADIAN
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News

Other Financial Updates

Cash flow for the first quarter of 2001 was $176 million, down $27 million compared to the first quarter last year. The decrease was attributable to lower operating income offset by lower income tax expense.

The company has available, as sources for financing, credit facilities of up to $1.7 billion as well as $450 million from a shelf prospectus.

At March 31, 2001, CPR had entered into forward foreign currency exchange contracts to sell approximately US$285 million at exchange rates ranging from 1.41 to 1.48 over the years 2001 to 2002. At March 31, 2001, the unrealized loss on these exchange contracts was CDN$37 million. The above included contracts to sell approximately US$275 million to a related party over the years 2001 to 2002 at rates ranging from 1.42 to 1.48, with an unrealized loss of CDN$36 million.

The company had outstanding interest rate swap agreements at March 31, 2001 for nominal amounts of US$100 million (equivalent to CDN$157 million) and CDN$41 million. On April 6, 2001, the company sold its US$100 million interest rate swap contracts.

At March 31, 2001, the company had entered into crude oil futures contracts to hedge 27% of its fuel requirements for the second half of 2001 at an average price of US$25.85 per barrel.

CANADIAN PACIFIC RAILWAY

STATEMENT OF CONSOLIDATED INCOME
FOR THE THREE MONTHS ENDED MARCH 31
(in millions of Canadian dollars)

	2001 (unaudited)	2000 (unaudited)
Revenues		
Freight	879.3	869.1
Other	39.0	43.6
Total revenues	918.3	912.7
Operating expenses		
Compensation and benefits	296.3	304.8
Fuel	113.5	103.1
Materials	63.7	55.8
Equipment rents	69.0	59.9
Depreciation and amortization	81.8	77.2
Purchased services and other	142.0	125.2
Total operating expenses	766.3	726.0
Operating income before the following:	152.0	186.7
Spin-off related and incentive compensation charges (Note 2)	15.6	-
Operating income	136.4	186.7
Other charges	7.1	5.8
Interest expense	45.6	39.8
Income tax expense	15.3	56.0
Net income	68.4	85.1

CANADIAN PACIFIC RAILWAY

CONSOLIDATED BALANCE SHEET
(in millions of Canadian dollars)

	MARCH 31 2001 (unaudited)	DECEMBER 31 2000 (audited)
ASSETS		
Current assets		
Cash and short term investments	120.1	120.3
Accounts receivable	562.8	495.3
Materials and supplies	145.9	131.0
Future income taxes	81.6	82.8
	910.4	829.4
Investments	107.0	105.2
Net properties	7,407.0	7,389.3
Other assets and deferred charges	549.2	484.3
Total assets	8,973.6	8,808.2
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	979.7	1,023.5
Income and other taxes payable	138.4	158.1
Long-term debt maturing within one year	3.2	3.1
	1,121.3	1,184.7
Deferred liabilities	737.5	731.8
Long-term debt	2,339.1	2,276.3
Advances from affiliates	154.0	50.0
Future income taxes	951.6	937.7
Deferred income credits	69.2	64.9
Shareholder's equity		
Ordinary Shares	1,812.5	1,812.5
Issued - 347,169,909 shares		
Contributed surplus	291.1	299.4
Foreign currency translation adjustments	112.3	84.3
Retained income	1,385.0	1,366.6
	3,600.9	3,562.8
Total liabilities and shareholder's equity	8,973.6	8,808.2

Canadian Pacific Railway

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31
(in millions of Canadian dollars)

	2001	2000
	(unaudited)	(unaudited)
Operating activities		
Net income	68.4	85.1
Add (deduct) items not affecting cash flow		
Depreciation and amortization	81.8	77.2
Future income taxes	15.3	34.8
Amortization of deferred charges	10.5	6.1
Cash flow	176.0	203.2
Restructuring payments	(25.4)	(31.5)
Other operating activities, net	(18.7)	(97.9)
Change in non-cash working capital balances related to operations	(144.2)	(124.0)
Cash used in operating activities	(12.3)	(50.2)
Investing activities		
Capital program	(30.0)	(39.4)
Other investments	1.2	6.5
Net proceeds from disposal of transportation properties	(3.5)	-
Cash used in investing activities	(32.3)	(32.9)
Financing activities		
Dividends paid	(50.0)	-
Repayment of long-term debt	(1.3)	(0.2)
Equity contribution (to) from affiliate	(8.3)	2.1
Advances from affiliates	104.0	116.6
Cash provided by financing activities	44.4	118.5
Cash position		
(Decrease) increase in net cash	(0.2)	35.4
Net cash at beginning of period	120.3	40.0
Net cash at end of period	120.1	75.4
Net cash defined as:		
Cash and short term investments	120.1	75.4

CANADIAN PACIFIC RAILWAY

STATEMENT OF CONSOLIDATED RETAINED INCOME
FOR THE THREE MONTHS ENDED MARCH 31
(in millions of Canadian dollars)

	2001	2000
	(unaudited)	(unaudited)
Balance, January 1, as previously reported	1,366.6	959.8
Prior period adjustment (Note 1)	-	55.0
Balance, January 1, as restated	1,366.6	1,014.8
Net income for the period	68.4	85.1
Dividends declared		
Ordinary Shares	(50.0)	(45.0)
Balance, March 31	1,385.0	1,054.9

1. Basis of presentation

These unaudited interim consolidated financial statements and notes have been prepared using accounting policies that are consistent with the policies used in preparing Canadian Pacific Railway Company's 2000 annual consolidated financial statements and should be read in conjunction with the annual financial statements.

2. Reorganization

On February 12, 2001, the Board of Directors of Canadian Pacific Limited ("CPL") approved a major reorganization that is intended to create five separate publicly traded companies, including Canadian Pacific Railway Company ("CPR"). Under the plan, CPL intends to distribute to its common shareholders its investment in CPR, in order to create a separate public company. The distribution will be implemented under a Plan of Arrangement, contingent upon approval of CPL's shareholders, court approval, a favourable Canadian tax ruling relating to taxation of shareholders on the transaction, and other requisite consents. At March 31, 2001, CPR recorded $15.6 million in spin-off related and incentive compensation charges.

3. Restructuring charges and environmental remediation

At March 31, 2001, the provision for restructuring and environmental remediation was $661.3 million (December 31, 2000 - $676.9 million). This provision primarily includes labour liabilities for restructuring plans that are, in many cases, substantially implemented. The majority of the provision consists of expected residual payments to protected employees and the cost of a multi-year soil remediation program.

4. Reclassification

Certain prior year's figures have been reclassified to conform with the presentation adopted for 2001.

5. Consolidated financial ratios

The following ratios are provided in connection with CPR's continuous offering of medium term notes, and are based on the consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in Canada. The asset coverage ratios are calculated as at the dates indicated, and the interest coverage ratios are for the 12-month period then ended.

	March 31 2001	December 31 2000
Interest coverage on long-term debt (times)		
Income before unusual items	4.4	4.7
Income after unusual items	4.3	4.7
Net tangible asset coverage on long-term debt (times)		
Before the effect of future income taxes	2.8	2.9
After the effect of future income taxes	2.4	2.5

CANADIAN PACIFIC RAILWAY

Summary of Rail Data

Financial (millions)	First Quarter 2001	2000	Variance	%
Revenues				
Freight	$879.3	$869.1	$10.2	1.2
Other	39.0	43.6	(4.6)	(10.6)
	$918.3	$912.7	$5.6	0.6
Expenses				
Compensation and benefits	$296.3	$304.8	($8.5)	(2.8)
Fuel	113.5	103.1	10.4	10.1
Materials	63.7	55.8	7.9	14.2
Equipment rents	69.0	59.9	9.1	15.2
Depreciation and amortization	81.8	77.2	4.6	6.0
Purchased services and other	142.0	125.2	16.8	13.4
	$766.3	$726.0	$40.3	5.6
Operating income before the following:	$152.0	$186.7	($34.7)	(18.6)
Spin-off related and incentive compensation charges	$15.6	-	$15.6	-
Operating ratio before spin-off related and incentive compensation charges (%)	83.4	79.5	3.9	-
Freight Traffic				
Freight Revenues (millions)				
- Grain	$192.0	$179.5	$12.5	7.0
- Coal, sulphur & fertilizers	216.3	226.1	(9.8)	(4.3)
- Forest products	88.3	90.4	(2.1)	(2.3)
- Industrial products	111.7	110.3	1.4	1.3
- Intermodal	199.6	185.3	14.3	7.7
- Automotive	71.4	77.5	(6.1)	(7.9)
Total Freight Revenues	$879.3	$869.1	$10.2	1.2
Millions of Revenue Ton Miles (RTMs)				
- Grain	6,730	6,384	346	5.4
- Coal, sulphur & fertilizers	10,087	10,022	65	0.6
- Forest products	2,695	2,913	(218)	(7.5)
- Industrial products	3,367	3,494	(127)	(3.6)
- Intermodal	4,943	5,084	(141)	(2.8)
- Automotive	595	672	(77)	(11.5)
Total RTMs	28,417	28,569	(152)	(0.5)
Operations & Productivity				
Freight gross ton miles (millions)	53,282	53,435	(153)	(0.3)
Number of active employees at end of period	16,959	17,842	(883)	(4.9)
Miles of road operated at end of period	13,938	14,343	(405)	(2.8)
GTMs per average active employee (000)	3,145	3,019	126	4.2
GTMs per mile of road operated (000)	3,823	3,726	97	2.6
GTMs per available horsepower per day	200	195	5	2.6
Freight revenue per RTM (cents)	3.09	3.04	0.05	1.6
Total operating expenses per RTM (cents)	2.70	2.54	0.16	6.3
Total operating expenses per GTM (cents)	1.44	1.36	0.08	5.9
Average train weights (tons)	5,448	5,365	83	1.5
Average train speed (mph)	26.6	26.9	(0.3)	(1.1)
U.S. gallons of fuel per 1,000 GTMs	1.30	1.35	(0.05)	(3.7)
FRA personal injuries per 200,000 employee hours	4.8	4.6	0.2	4.3
FRA train accidents per million train miles	2.1	1.8	0.3	16.7

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